



# NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

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## MBA PROFESSIONAL REPORT

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**Corporate Social Responsibility: A Comparison Between  
Government Contractors and Companies  
that Receive Revenues from Commercial Sources**

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**By: Andrew Pratt**

**December 2011**

**Advisors: Rene Rendon,  
Keith Snider, Ph.D.**

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**CORPORATE SOCIAL RESPONSIBILITY: A COMPARISON BETWEEN  
GOVERNMENT CONTRACTORS AND COMPANIES  
THAT RECEIVE REVENUES FROM COMMERCIAL SOURCES**

Andrew Pratt, Captain, United States Air Force

Submitted in partial fulfillment of the requirements for the degree of

**MASTER OF BUSINESS ADMINISTRATION**

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December 2011**

Authors:

\_\_\_\_\_  
Andrew Pratt

Approved by:

\_\_\_\_\_  
Rene Rendon, Co-Lead Advisor

\_\_\_\_\_  
Keith Snider, Co-Lead Advisor

\_\_\_\_\_  
William R. Gates, Dean  
Graduate School of Business and Public Policy

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# **CORPORATE SOCIAL RESPONSIBILITY: A COMPARISON BETWEEN GOVERNMENT CONTRACTORS AND COMPANIES THAT RECEIVE REVENUES FROM COMMERCIAL SOURCES**

## **ABSTRACT**

The purpose of this research is to analyze the level of emphasis placed on the Corporate Social Responsibility (CSR) categories (health and safety, environment, diversity, human rights, discretionary, and corporate) between defense contractors and companies that receive the majority of their revenues from commercial sources. Five companies were selected from each of the following three groups: defense contractors, top CSR companies, and largest companies from a diverse industry base. The results indicate that defense contractors place less emphasis on the CSR categories than those companies that receive their revenues from commercial sources. Specifically, defense contractors were rated lower in the human rights and corporate categories. This exploratory study establishes a foundation for future research in the relationship between CSR principles and defense contractors.

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

AAP	Affirmative Action Plan
BLIHR	Business Leaders Initiative on Human Rights
BoA	Bank of America
C4ISR	Command, Control, Communications, Computer, Intelligence, Surveillance and Reconnaissance
CBL	Citizen-Bureaucratic Linkage
CDP	Carbon Disclosure Project
CO	Contracting Officer
CSP	Chemical Strategies Partnership
CSR	Corporate Social Responsibility
CSRO	Corporate Social Responsibility Orientation
DART	Days Away/Restricted or Transferred Rate
DFARS	Defense Federal Acquisition Regulation Supplement
DII	Defense Industry Initiative
DJSI	Dow Jones Sustainability Index
DMM	Diversity Maturity Model
DoD	Department of Defense
DOL	Department of Labor
DWCF	Disney Worldwide Conservation Fund
EEAC	Executive Environmental Advisory Council
EEO	Equal Employment Opportunity
EHS	Environmental, Health, and Safety
ELC	Environmental Health and Safety Leadership Council
EMCAPS	ExxonMobil Capital Projects Management System
EMS	Environmental Management System
ERG	Employee Resource Groups
ERM	Environmental Resource Management
EPA	Environmental Protection Agency



EPEAT	Electronic Product Environmental Assessment Tool
ESH	Energy, Environment, Safety, and Health
ESHIA	Environmental, Socioeconomic, and Health Impact Assessments
FAR	Federal Acquisition Regulation
FIRST	For Inspiration and Integration of Science Technology
FTSE	Financial Times and London Stock Exchange
GBIHR	Global Business Initiative on Human Rights
GEHSMS	Global Environmental, Health, and Safety Management
GHG	Greenhouse Gases
GM	General Motors
ICC	International Costal Cleanup
ISM	Institute of Supply Management
ILO	International Labor Organization
ILS	International Labor Standards
INMED	Institute for International Medicine
IPIECA	International Petroleum Industry Environmental Conservation Association
ISO	International Standard Organization
IT	Information Technology
JNJ	Johnson and Johnson
LEED	Leadership in Energy and Environmental Design
LMSII	Lockheed Martin Standard Injury and Illness
MAARS	Management Awareness and Action Review System
MDD	Minority Dealer Development
MIT	Massachusetts Institute of Technology
MTC	Metal Trade Council
MWBE	Minority and Women-owned Business
NASSCO	National Steel and Shipping Company
NGO	Non-Governmental Organizations
OHSAS	Occupational Health and Safety Assessment Series
OIMS	Operations Integrity Management System

OSHA	Occupational Safety and Health Administration
PVC	Polyvinyl Chloride
SRI	Social Responsibility Index
STEM	Science, Technology, Engineering, and Mathematics
UNEP	United Environmental Program
USERRA	Uniformed Services Employment and Reemployment Rights Act
USO	United Services Organization
VPP	Voluntary Protection Program
VSP	Volunteer Support Program
WCP	Water Conservation Plan
WEF	World Economic Forum
WPA	World Protected Areas
WRN	Women's Retail Network

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# **I. INTRODUCTION**

## **A. BACKGROUND**

The idea of Corporate Social Responsibility (CSR) entails a relatively recent global debate over the proper relationship between business and society (Carroll, 1999; Jenkins, 2005). Scholars are increasing their focus on CSR as the public's demand of such considerations by private [and public] companies has increased (Carroll, 1999). The CSR violations of Enron (accounting fraud), Nike (child labor), Shell (sinking of the Brent Spar), and British Petroleum (oil spill) have increased the pressure on companies to emphasize CSR. CSR is emphasized because of pressure from Non-Governmental Organizations (NGOs), trade unions, consumers, shareholders, increased public expectations, and public opinion (Jenkins 2005, McCrudden 2006). CSR is now a core competency for many companies and is correlated with competitive advantage and long-term profits, leading companies to value it on the same level as financial performance (Porter 2006, Davis 1960, Hurst 2004).

The operational definition of CSR for this research is: "the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" (Carroll, 1999). Davis (1973) defined CSR as "beginning where the law ends. A firm is not being socially responsible if it merely complies with the minimum requirements of the law, because this is what any good [business] would do." My focus on CSR in regards to public procurement must consider these discretionary activities.

The demand for CSR extends to companies in every industry including government contractors (McCrudden, 2007). Public procurement should maintain the "public's trust and [fulfill] public policy objectives (Federal Acquisition Regulation (FAR) Part 1.102)." Policies such as Department of Labor's (DOL) Minimum Wage Act, Environmental Protection Agency's (EPA) Air, Water, and Hazardous Waste Acts, Trafficking Victims Prevention Act of 2000, and those in U.S. Code, FAR Defense

Federal Acquisition Regulation Supplement (DFARS) indicate the intention of policy makers and their constituents with regards to CSR.

## **B. STATEMENT OF THE PROBLEM**

Defense contractors are extensions of Citizen-Bureaucratic Linkage (CBL), meaning that they must adopt the responsibility of acting as agents of elected and appointed officials, and should act in a responsible manner (Cohen & Eimicke, 2009). The FAR mandates government contracting officers (CO) to ensure that defense contractors comply with the legal aspects of CSR. The discretionary aspect of CSR is more compelling to assess because it takes a step past legal requirements. This research will, therefore, assess the CSR approach of defense contractors compared to firms that do not receive a majority of their revenue from public funds. I will focus my attention on the discretionary element of CSR.

## **C. PURPOSE OF THE RESEARCH**

There is little research on defense contractors relating to CSR. This is exploratory research assessing each company's emphasis on CSR to determine if there are any differences between companies that receive the majority of their revenues from the government, and those that do not. This study sought to achieve the following objectives:

- Analyze the level of emphasis placed on six CSR categories (health and safety, environment, diversity, human rights, discretionary, and corporate) for each company and determine if there are any fundamental differences between the three classifications of companies.
- Provide a foundation to enable further research of potential differences between the way defense contractors and other companies approach CSR.

## **D. RESEARCH QUESTION**

I will attempt to answer the following question: How much emphasis is put on the different CSR categories by defense contractors compared to those that receive the majority of their revenues from commercial sources?

## **E. BENEFITS AND LIMITATIONS OF RESEARCH**

This is exploratory research that will provide a foundational assessment of CSR in a broad context of different types of firms. It is a necessary prelude to more detailed research. There is an extensive amount of research on CSR, but its relation to defense contractors and the importance of their representation has not been explored. This research is limited by the number of companies being assessed, and by the quality and depth of relevant information publicly available.

## **F. METHODOLOGY**

I am evaluating the public information from companies' websites to determine the emphasis that is placed on CSR by the following groups of companies: five defense contractors, five top-ranked CSR companies, five large Fortune 500 companies.

The methodology used in this research was largely derived from the CSR Assessment tool developed by the Institute of Supply Management (ISM). ISM is the largest supply management institution in the world and dedicates itself to a standard of excellence in research and education. It developed an assessment tool to help companies determine the maturity of CSR within their firm (Appendix A). Nathan Hurst also developed a framework for comparing Corporate Ethics, Governance, and Social Responsibility between European companies and those in the United States (Hurst, 2004). Finally, I developed additional questions derived from the best practices of the top CSR companies. These best practices were common elements that will be used as a benchmark for evaluating other companies. I used these methodologies to develop a comprehensive framework that addresses the following categories for each selected company:

- Health and Safety
- Environment
- Diversity
- Human Rights
- Discretionary (Community, Giving, Volunteering)



- Corporate (Code of Conduct/Ethics, CSR governance, Core principles)

Chapter III describes four questions that were developed for each of these six categories. Each question is structured to elicit a yes or no response, which is given the corresponding value of “1” and “0,” respectively. I will then calculate the sum of the answers of the four questions in each category above (values will be 0, 1, 2, 3, or 4, depending on the number of “yes” answers). The following adjectival ratings will then be assigned to each number, reflecting the emphasis placed on CSR in that category: 0=No emphasis, 1=Low emphasis, 2=Moderate emphasis, 3=High emphasis, 4=Very High emphasis.

## **G. ORGANIZATION OF REPORT**

This project is separated into five distinct chapters. Chapter I provided the background, problem statement, and purpose of the project, as well as introducing the research questions, benefits of study, limitations, and methodology. It also introduced CSR and how it relates to defense contractors. Chapter II is a literature review compiling reviews from pertinent research on the subject of CSR and the applicability to the Department of Defense (DoD). Chapter III focuses on the methodology used to compare the defense contractors and companies with little revenue from the U.S. Government. Chapter IV discloses the research results by addressing the objectives and research questions as outlined in this chapter. Chapter V summarizes the research, gives a conclusion, and suggests areas for further research.

## **H. SUMMARY**

This chapter introduced the foundation of CSR and the operational definition for this research project. CSR is not only applicable to large companies that receive revenues from commercial sources, but also to defense contractors, who are an extension of public policy and a representative of the electorate. This research will assess the CSR approach of the top five defense contractors by revenue and compare it to the five largest U.S. companies and top five CSR companies. The following chapter, Literature Review, will elaborate on the background of CSR and definitions thereof, public procurement law, previous defense CSR studies, and theory against CSR.

## **II. LITERATURE REVIEW**

### **A. INTRODUCTION**

This literature review will discuss the evolving history of the CSR definition over the past sixty years and will outline some of the DoD's procurement regulations that govern the legal, ethical, and economic elements of CSR for defense contractors. The government procures products and services with tax-payer dollars and society at-large expect that these funds go to contractors that are socially responsible. There are opponents and proponents of CSR, and both sides will be addressed here. The final section will assess CSR and defense contractors in one study, and U.S. and European countries in another.

### **B. HISTORY OF MODERN CSR**

William Bowen introduced the modern definition of CSR sixty years ago as it became increasingly important for companies to consider its impact on society as well as their bottom lines. CSR was originally thought to be the obligations that companies have to make decisions beneficial to society (Bowen, 1953). Over the proceeding decades, 93% of businessmen agreed with this socially responsible business framework (Carroll, 1999). Not only is it important to have a proactive approach to CSR, but a lack of concern with social responsibility would be detrimental to the company (Davis, 1960). Furthermore, companies will be motivated by increased profits, as society at-large rewards them for their actions (Davis, 1960). Both long-term profits and detrimental consequences from a failure to abide by CSR principles are the driving forces for the widespread acceptance and adaptation of CSR. In 1971, George Steiner consolidated the previous definitions to say that businesses have a responsibility to society, though; it fundamentally must remain an economic institution. (Steiner, 1971). The idea of CSR, as starting where the law ends, was introduced by Davis in 1973. He argues that companies are not socially responsible for just meeting the legal requirements (Davis, 1973). Carroll introduced a model in 1979 that was a three-dimensional CSR model integrating responsibility, responsiveness, and social issues.

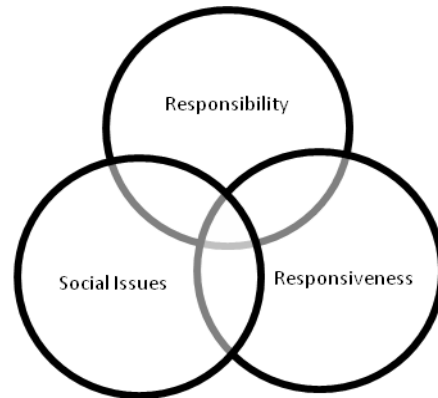


Figure 1. Three-dimensional CSR Model (From: Carroll, 1979)

He updated his definition years later to provide a more specific definition than those previously developed describing four different segments of CSR with an emphasis on the discretionary element.

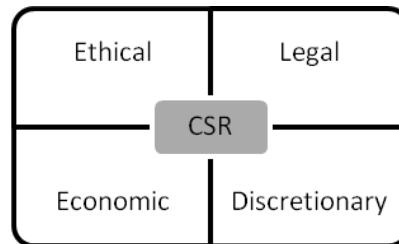


Figure 2. Four-dimensional CSR Model (From: Carroll, 1999)

### C. STAKEHOLDER THEORY

Stakeholder theory expands upon Milton Friedman's position of corporations being responsible only to the stockholders of the company. In addition to stockholders, it includes: employees, customers, suppliers, and the community (Freeman, 2004). The "narrow view" of the stakeholder considers those people and/or groups that directly contribute to the success and failure of the corporation. The "wide view" of the stakeholder is any person and/or groups that are affected by the corporation's actions (Freeman, 2004). Since stakeholders have this type of impact, they are afforded the right to demand actions or behaviors from the company. The company's relationship with the community exists because of a trade-off between the rights of the corporation to operate

in an area (provided by the community) with the economic and social contributions it provides in return (Freeman, 2004).

#### **D. DOD PROCUREMENT POLICY**

CSR is embedded in the law set forth as an extension of public policy. As mentioned in Chapter I, FAR 1.102 states that the Federal Acquisition should “[maintain] the public’s trust and [fulfill] public policy interests.” The public’s CSR interests and objectives are met throughout the FAR as seen in the following table:

Table 1. DoD Procurement Regulations (From: FAR and DoD 5000.01)

<b>Title</b>	<b>Regulation</b>	<b>Description</b>
Contractor Qualifications	FAR Part 9	Determination of Responsibility (FAR 9.104-1) and Suspension and Debarment (FAR 9.405). Evaluates the contractors integrity and business ethics. Failure to comply leads to a Suspension and/or Debarment preventing any contracts being awarded to irresponsible contractors.
Socioeconomic Programs	FAR Part 19	Small-Business, Small-Business Sub-Contracting, Certificates of Competency and Determinations of Responsibility, 8(a) Program, Disadvantaged Business, Historically Underutilized Business Zone, Service-Disabled Veteran-Owned Small Business, Women-Owned Small Business. Certificates of Competency must be determined before receiving any award.
Labor Law	FAR Part 22	Labor policies, Safety Standards Act, Equal Employment Opportunity, Age Discrimination, Service Contract Act, Veterans, Disabilities, Child Labor, Trafficking in Persons, Affirmative Action
Environment	FAR Part 23	Sustainable Acquisition Policy, Energy and Water Efficiency, Hazardous Material, Recovered Materials and Biobased Products, Drug-Free Workplace, Radioactive Materials, Ozone-Depleting Substances
Representation of Certifications	FAR 52.204-8	Requirement for contractors to update that contains reporting on many CSR elements like those found in FAR Part 19, 22, and 23.
Legal Compliance	DoDD 5000.01 - E1.1.15	The acquisition of DoD weapons and weapon systems shall be consistent with all applicable domestic law and treaties and international agreements.

Defense contractors are required by contract clauses and by their Representations and Certifications to address all of the listed concerns. These embedded elements of CSR represent the public’s interests by holding contractors responsible for being a representative of the broader public policy. Following is an example of CSR’s impact on

new initiatives in public procurement as federal agencies advance sustainable acquisition. The Government's policy is to ensure that 95% of new contract actions for the supply of products are: energy-efficient, water-efficient, bio-based, and non-ozone depleting (FAR 23.103)...To implement this policy, Federal acquisitions will foster markets for sustainable technologies, products, and services. This policy extends to all acquisitions, including those below the simplified acquisition threshold and those at or below the micro-purchase threshold (FAR Part 23.2).

#### **E. OPPONENT OF CSR**

Milton Friedman was a strong opponent of CSR, especially in regard to the discretionary aspects. He supported the shareholder theory which emphasizes that the responsibility of the company is to make as much money as possible while abiding by all of the societal and ethical rules (Friedman, 1970). Friedman contended that any money spent on social responsibility decreases the value of the stock price, and is spent on a socialistic platform that has no measurable effect on accomplishing the objectives of society. He asked two questions regarding the goals of CSR: "How much cost is he (the executive) justified in imposing on his stockholders, customers and employees for this social purpose? What is his appropriate share and the appropriate share of others?"

#### **F. CSR OF DEFENSE CONTRACTORS**

Directly relating CSR to defense contractors, Edmund Byrne contends that contractors who manufacture and sell weapon systems cannot be considered socially responsible because of the nature of the industry. Byrne recognizes that firms are emphasizing CSR as a new standard in business and can be attributed to how well it maximizes profit while also satisfying social demands of CSR. CSR incorporates four aspects according to Byrne: environment, social equity, profitability, and the use of political power. He states that the defense industry fails to meet any of the four CSR requirements and that their support of national defense makes them socially irresponsible (Byrne, 2007). Also, because defense contractors are for-profit industries, they have the ability of selling it to non-state actors to increase their profits, and produce negative externalities (Byrne, 2007). He continues to state that defense contractors cannot meet

the environmental standards due to the irreversible war damage which occurs. Additionally, these weapons would fail a CSR social equity requirement because their function is killing humans (Byrne, 2007). In a 2010 article, Byrne recognizes that there is a difference in military operations between one that is indeed a viable mission, and those that are not. For the latter, he argues that defense contractors should be held liable for not being socially responsible. This philosophy indicates that the contractor's responsibility is based on the Government's agenda and defense policy. Byrne's ethical dilemma will not be dissected in this project, but rather, the relationship between CSR and defense contractors will be addressed because of its importance to all stakeholders.

Mallen Baker acknowledges the growing attention on defense contractors' products being irresponsible because of their negative effects on people. He defines CSR as companies that "put something back" into society (Baker, 2005). Therefore, CSR should be evaluated on how the company generates revenue and where it comes from (Baker, 2005). However, companies are not the ones who decide the usage of their weapons, and the rules of engagement should be more civilized to ensure that unnecessary damage is not caused (Baker, 2005).

## **G. CSR STUDIES**

In 2004, Nathan Hurst conducted a study to compare the corporate ethics, governance and social responsibility between European companies and those in the United States (Hurst, 2004). He studied eight European, and ten American companies, addressing the technology, energy, healthcare, and defense industries. To compare the 18 companies, Hurst asked the following questions:

- Has the company publicized a Code of Conduct/Ethics?
- Are the company's conflict of interest guidelines publicly available to investors?
- Does the company make it clear who the designated Ethics/Compliance Officer is?

- Does the company have a whistle blowing process implemented and is it easily accessible?
- Does the company publish a CSR or sustainability report?
- Is CSR one of the company's core corporate principles or business objectives?

This assessment represents each company's intention, and does not represent a conclusive determination of whether the company is responsible. Based on his research, European companies scored higher on the CSR indicators as nearly 50% of them had CSR embedded in their corporate strategy while only 20% of American companies had the same. All of the European companies published CSR reports compared to 50% of American companies. These findings were consistent with the assertion that European companies were more sophisticated in their approach to CSR. His research shows that the defense industry took CSR less seriously than the other industries. Pertinent to my research, Hurst found that both Lockheed Martin and Northrop Grumman did not publish a CSR or sustainability report, and that CSR was not a corporate principle or objective. Lockheed Martin "[met] all of the ethics requirements but failed to even mention CSR" (Hurst, 2004). However, they set the standard by publishing the most comprehensive ethics code. Similarly, Northrop Grumman also failed to mention CSR publicly though, its whistle blowing process was the best in the study. He relied on information that was publicly available on websites, reports, and business databases.

In 2008, Barton Halpern conducted a study titled, "Corporate Social Responsibility Orientation: An Investigation of Specific Department of Defense Contractors." More specifically, his research was conducted to assess the defense contractors who manufacture command, control, communications, computer, intelligence, surveillance and reconnaissance (C4ISR) equipment. Halpern states that there is little evidence to support Byrne's claim of defense contractors being socially irresponsible (Halpern, 2008). His research provides empirical evidence in reference to C4ISR contractor's approach to CSR and asked the following questions:

- What are the manager's Corporate Social Responsibility Orientation (CSRO) tendencies?
- Do firms that have contracts with the DoD and foreign locations outside the United States have stronger CSRO values in the ethical and discretionary areas of CSR?
- Does the type of firm, not-for-profit, for-profit, or small business, affect the CSRO of managers?
- Do the CSRO scores of firms with contracts with the DoD fall within the boundaries of previous research?
- Are there moderating factors of CSRO that are unique to the DoD industry?

He solicited answers from over 1,000 managers of defense contractors (64% small business), and received responses from 17% of that population. 62% of the respondents worked for firms that received between 76% and 100% of their revenue from DoD contracts (Halpern, 2008). His research found that DoD firms have a greater emphasis on the economic and legal elements of CSR (Halpern, 2008). When it comes to the discretionary aspects of CSR such as charitable giving, he claims that FAR 31.205–8 “restricts the firms’ ability to make charitable donations that are not taken from their profits” (Halpern, 2008). Note: this assertion does not have any bearing on the willingness for a corporation to engage in the discretionary aspects of CSR because other organizations give charitably out of their income, not because of a cost that was embedded in individual contracts.

Halpern concluded that larger firms do not result in better performance than smaller firms (Halpern, 2008). Finally, he stated that firms’ participation in nongovernmental organizations like the Defense Industry Initiative (DII) does not make managers of DoD contractors more adept to adopting a CSRO.



## **H. SUMMARY**

Chapter II outlined the evolution of the CSR definition over the past six decades and concluded with the operational definition: “the social responsibility of business [that] encompasses the economic, legal, ethical, and discretionary expectations” (Carroll, 1999, p. 289). DoD procurement law mandates contractors to abide by economic, legal, and ethical standards. The majority of CSR aspects fall under the legal element because they are regulations. Despite opposition to CSR, stakeholder theory shows it is important and assertions by people, like Byrne, indicate its significance to defense contractors. Chapter III explains the methodology that will be used to analyze all 15 companies regarding the research question: How much emphasis do companies that receive the majority of their revenues via defense contracts put on the CSR areas compared to those that do not?

### **III. METHODOLOGY**

#### **A. INTRODUCTION**

This research seeks to have an understanding of whether taxpayer dollars are going to contractors that represent the broader stakeholders of society at-large. It will use publicized CSR reports to find out how much emphasis is placed on CSR by the following types of companies:

- Defense Contractors: Top 5 defense contractors with over 70% of revenues from the Government.
- CSR Companies: Top 5 CSR companies as ranked by Boston College Center for Corporate Citizenship.
- Largest Firms: Top 5 Fortune 500 companies representing different industries.

The purpose of this chapter is to introduce the framework for assessing the CSR approach in each of these divisions. The methodology will assess each company by searching public information in six CSR categories (health and safety, environment, diversity, human rights, discretionary, and corporate). Additionally, this assessment explains how each company was selected, the development of the questions, and how they will be assessed. .

#### **B. FRAMEWORK**

The following chart shows the four questions that will be asked in six CSR categories for each company. Additionally, each question will show the methodology (ISM, Pratt, or Hurst) where it originated.

Table 2. CSR Evaluation Categories/Questions and Methodology Origin

		Methodology
<b>Health and Safety</b>		
	Organization has a safety program/policies published.	ISM
	Organization trains its employees and/or suppliers in safety.	ISM
	Organization publishes safety goals.	Pratt
	Organization has process to measure/document safety performance.	ISM
	<b>Sum of Rating</b>	
	<b>Adjectival Rating</b>	
<b>Environment</b>		
	Organization has specific environmental goals in place.	Pratt
	Organization addresses recycling and minimizing waste and environmental impact.	ISM
	Organization reports environmental efforts.	ISM
	Organization has discretionary environmental initiatives in place.	ISM
	<b>Sum of Rating</b>	
	<b>Adjectival Rating</b>	
<b>Diversity</b>		
	The organization has a formal program and/or processes in place to promote diversity.	ISM
	Organization trains employees and/or suppliers on diversity.	ISM
	Organization ensures equal access to employment opportunities.	ISM
	Organization has discretionary diversity initiatives.	Pratt
	<b>Sum of Rating</b>	
	<b>Adjectival Rating</b>	
<b>Human Rights</b>		
	The organization has a formal program and/or processes in place to promote human rights.	ISM
	Organization trains employees on human rights.	ISM
	Organization mentions human rights enforcement to suppliers.	ISM
	Organization has discretionary initiatives to promote human rights.	Pratt
	<b>Sum of Rating</b>	
	<b>Adjectival Rating</b>	
<b>Discretionary</b>		
	Organization has specific activities that demonstrate commitment to the community.	ISM
	Organization allows/encourages employees to volunteer.	ISM
	Organization's efforts include charitable donations	ISM
	Organization partners with other organizations for community projects.	Pratt
	<b>Sum of Rating</b>	
	<b>Adjectival Rating</b>	
<b>Corporate</b>		
	Organization publishes a Code of Conduct or Standards of Business.	ISM/Hurst
	Organization's core principles/values reflect CSR principles.	Hurst
	Organization publishes CSR/Sustainability Report.	Hurst
	Organization reports CSR efforts to higher authority or governance (e.g. GRI)	Pratt
	<b>Sum of Rating</b>	
	<b>Adjectival Rating</b>	

The methodology used in this research was largely derived from ISM's Assessment Tool (Appendix A). I used Nathan Hurst's methodology to formulate three

of the four questions to assess the emphasis placed on CSR on the corporate level. Additionally, I developed questions derived from the best practices of the top CSR companies. I found that the top CSR companies and largest companies voluntarily reported their CSR efforts to a CSR authority or organization. Top CSR companies also showed that they had an extensive network of organizations that they worked with to enhance their CSR efforts. Lastly, I found that a common best practice was emphasizing discretionary activities and establishing goals for each category. This captures the essence of CSR beginning where the law ends (Davis, 1973), and will be used as benchmarks for evaluating other companies.

### C. PARTICIPATION SELECTION

This analysis was done by selecting the largest defense contractors by annual revenue coming from public funds. I compared them with the five largest U.S. companies with a diversified industry base and the top five CSR companies as ranked by the Boston College Center for Corporate Citizenship in 2010.

First, the defense contractors that were selected had the highest percentage of public revenue, with annual revenues exceeding \$10 billion. All five of the companies earned over 70% of their revenue from the government as reported by their 2010 annual report. Both sides of revenue generation were represented by those companies who receive the majority of their funding from the government versus those who do not. They are listed below from highest revenue to lowest:

Table 3. Defense Contractors (revenues from annual reports, percentages From: [www.usaspending.gov](http://www.usaspending.gov)).

Defense Contractors	Industry	Revenue	Government %
Lockheed Martin	Aerospace and Defense	\$45.8B	76%
Northrop Grumman	Aerospace and Defense	\$34.7B	92%
General Dynamics	Aerospace and Defense	\$32.4B	72%
Raytheon Company	Aerospace and Defense	\$25.1B	88%
L-3 Communications	Aerospace and Defense	\$15.7B	83%

The second group includes five Fortune 500 companies, and earns the majority of their revenues from commercial procurement. These companies represent a diverse

industry-base and earn less than 20% of their revenues from the U.S. government. They are listed below from highest revenue to lowest:

Table 4. Largest Companies (revenues from annual reports, percentages From: [www.usaspending.gov](http://www.usaspending.gov)).

Fortune 500 Companies	Industry	Revenues	Government %
Walmart	General Merchandizer	\$421B	0.00024%
Exxon	Petroleum Refining	\$354B	2.06%
GM	Motor Vehicles	\$135B	2.07%
Bank of America	Commercial Banking	\$134B	0.13%
Hewlett Packard	Computers	\$126B	18.89%

The final group represents the companies that have been regarded as the top five CSR companies according to Boston College's Center for Corporate Citizenship rankings. These companies set the standard for CSR in large companies whose revenue exceeds \$10 billion. The top 5 CSR companies are listed below by ranking:

Table 5. Top 5 CSR Companies (revenues from annual reports, percentages From: [www.usaspending.gov](http://www.usaspending.gov)).

Top 5 CSR Companies	Industry	Revenue	Government %
Johnson & Johnson	Pharmaceuticals	\$61.6B	1.64%
Walt Disney	Entertainment	\$38.1B	0%
Kraft Foods	Food Consumer Products	\$49.2B	6.12%
Microsoft	Computer Software	\$69.9B	1.01%
PepsiCo	Food Consumer Products	\$57.8B	3.22%

#### **D. ANALYTICAL PROCESS**

Each group of five companies will be assessed to the extent that they address the six CSR categories. I will evaluate the publicly available data to determine the emphasis that is placed on CSR for all 15 companies. There are four questions in each of the six categories which are stated in Chapter III. Each question is structured to elicit a yes or no response, which is given the corresponding value of "1" and "0," respectively. I will then calculate the sum of each category above (values will be 0, 1, 2, 3, or 4). The following

adjectival ratings will be assigned to each number of the emphasis placed on CSR: 0=No, 1=Low, 2=Moderate, 3=High, 4=Very High.

Table 6. Evaluation Legend

Number	Rating
4	Very High
3	High
2	Moderate
1	Low
0	No

The color assigned to each number and adjectival rating is used to compare the consolidated rating of the similarities and differences between each company and category. Below is the sample chart of the consolidated rating for each grouping of companies that will contain the adjectival rating:

Table 7. Sample Evaluation Matrix

	Defense Contractors				
	Lockheed Martin	Northrup Grumman	General Dynamics	Raytheon	L-3
How much emphasis does the firm place on the following CSR areas?					
Health and Safety					
Environment					
Diversity					
Human Rights					
Discretionary					
Corporate					

The findings that were used to rate each company for each question will be detailed in Appendix B.

## **E. SUMMARY**

This chapter covered the methodology that will be used to assess the six CSR categories for each of the 15 companies (five companies with a large percentage of their revenue from the government, top five Fortune 100 companies, and the top five CSR companies according to the Boston College Center for Corporate Citizenship). These questions will not draw definite conclusions about CSR for each company, but will indicate their intentions. This data will seek to provide a foundation for additional research and determine if there are any similarities or differences between the companies. Chapter IV is the Analysis and Results Chapter and will include the matrices and CSR information of all 15 companies.

## **IV. ANALYSIS AND RESULTS**

### **A. INTRODUCTION**

This chapter will analyze all 15 selected companies using the methodology outlined in Chapter III and will specifically address the purpose of the research and the research questions stated in Chapter II.

Purpose of the Research:

- Analyze the level of emphasis placed on the six CSR categories for each company and determine if there are any fundamental differences between the three classifications of companies.
- Provide a foundation to enable further research of potential differences between the way defense contractors and other companies approach CSR.

Research Question:

- How much emphasis is put on the six CSR categories by defense contractors compared to those that receive the majority of their revenues from commercial sources?

### **B. GOVERNMENT CONTRACTOR ASSESSMENT**

In this section, I will show the overall assessment matrix for all five Government contractors. I will also provide a brief narrative and highlight for each category in this section. The detailed information supporting each rating can be found in Appendix B.



Table 8. Defense Contractors Rating Matrix

	Defense Contractors				
	Lockheed Martin	Northrop Grumman	General Dynamics	Raytheon	L-3
Health and Safety	4	3	4	4	1
Environment	4	4	4	4	1
Diversity	4	4	3	4	2
Human Rights	3	3	0	2	0
Discretionary	4	4	4	4	2
Corporate	2	4	3	3	1

Number	Rating
4	Very High
3	High
2	Moderate
1	Low
0	No

### 1. Lockheed Martin

- a. Health and Safety (Very High) – They started a “25-Foot” safety control initiative that promotes ownership for each employee to be accountable for safety within 25 feet. The leadership provides their employees with comprehensive safety programs, tools, and resources.
- b. Environment (Very High) – They started a “Go Green” program to address their Energy, Environment, Safety, and Health (ESH) mission.
- c. Diversity (Very High) – They established an Executive Diversity Council with 33 local Diversity Councils and a Diversity Maturity Model (DMM).

- d. Human Rights (High) – Lockheed Martin includes human rights policies in their code of ethics. They do not have any discretionary initiatives involving human rights.
- e. Discretionary (Very High) – They emphasize donating and volunteering. Their employees have volunteered more than 1.2 million hours with an emphasis on education.

Corporate (Moderate) – Lockheed Martin emphasizes CSR on the corporate level by including CSR elements in their code of conduct. However, they do not publish a CSR report (Lockheed Martin, 2011).

## **2. Northrop Grumman**

- a. Health and Safety (High) – Northrop Grumman established the Environmental Health and Safety Leadership Council (ELC) that oversees and implements their health and safety policies. There was no indication that Northrop Grumman’s employees receive health and safety training.
- b. Environment (Very High) – They emphasize the environment with proactive strategies to reduce greenhouse gases (GHG) and waste, as well as with their partnerships.
- c. Diversity (Very High) – Their Employee Resource Groups (ERG) enhance their diversity and inclusion strategy as more than 23,000 employees are engaged in the program.
- d. Human Rights (High) – Northrop Grumman employees and suppliers receive training on human rights, but they have not established any discretionary initiatives in this area.
- e. Discretionary (Very High) – They encourage their employees to volunteer in the Science, Technology, Engineering, and Mathematics

(STEM) program and have several key partners that they participate with.

- f. Corporate (Very High) – Northrop Grumman is the only defense contractor in this research that reports their CSR efforts to a CSR organization. They received an “A Rating” from the Global Reporting Initiative (GRI)(Northrop Grumman, 2011).

### **3. General Dynamics**

- a. Health and Safety (Very High) – General Dynamics has a robust injury prevention program. Their National Steel and Shipping Company segment reduced injury rate by 61% in the past 4 years through their safety accountability program.
- b. Environment (Very High) – They are a leader in improving environmental quality by minimizing waste and emissions, reusing and recycling, and reducing the use of natural resources.
- c. Diversity (High) – Their company has received numerous awards for their emphasis on diversity and have supported a number of events with their partners.
- d. Human Rights (No) – Their organization did not mention any area of human rights.
- e. Discretionary (Very High) – General Dynamics is committed to the community and specifically the military community (Ethics Art Festival, Uniformed Services Employment and Reemployment Rights Act (USERRA), Military Kids, United Services Organization (USO), Hire a Hero, and Wounded Warriors program).
- f. Corporate (High) – They publish a “Blue Book” of ethics for all of their employees as well as a CSR report. They do not report their CSR efforts to a third party CSR organization (General Dynamics, 2011).

#### **4. Raytheon**

- a. Health and Safety (Very High) – Raytheon is certified in OSHA’s Voluntary Protection Program (VPP). They employ a comprehensive Environmental, Health, and Safety (EHS) audit program.
- b. Environment (Very High) – Raytheon develops and publish their long-term sustainability goals. They also developed Energy Citizen so employees can track their own environmental impact.
- c. Diversity (Very High) - Raytheon held a series of regional diversity summits in which more than 2,000 employees from across the company participated.
- d. Human Rights (Moderate) – They publish policies, practices, and procedures for human rights domestically and internationally. They do not mention training or discretionary initiatives to promote human rights.
- e. Discretionary (Very High) – Their discretionary efforts are focused on volunteering and donating educational programs.
- f. Corporate (High) – Raytheon publishes a code of conduct (which includes CSR principles) as well as a CSR report. They do not report their CSR efforts to a third party CSR organization (Raytheon, 2011).

#### **5. L-3Communications**

- a. Health and Safety (Low) – L-3 indicates that they are committed to employee health and safety, but they do not mention training, goals or a reporting/measurement tool.
- b. Environment (Low) – They do not publish goals or any discretionary initiatives. Their code of conduct does state their compliance with laws and regulations and their emphasis on minimizing environmental impact.

- c. Diversity (Moderate) – They show some emphasis on promoting diversity and inclusion in their organization but they do not mention training or discretionary initiatives.
- d. Human Rights (No) – L-3 does not show any emphasis on human rights.
- e. Discretionary (Low) – Other than a statement of emphasis regarding volunteer work, they do not mention any specific discretionary activities.
- f. Corporate (Moderate) – They publish a code of ethics that states their commitment to the community. L-3 does not publish a CSR/Sustainability report or report their efforts to a CSR organization (L-3 Communications, 2011).

### **C. TOP CSR COMPANIES ASSESSMENT**

In this section, I will first show the overall assessment matrix for the Top 5 rated CSR companies. I will also provide a brief narrative and highlight for each category in this section. The detailed information supporting each rating can be found in Appendix B.

Table 9. Top CSR Companies Rating Matrix

	Top CSR Companies				
	Johnson and Johnson	Walt Disney	Kraft Foods	Microsoft	PepsiCo
Health and Safety	4	4	4	3	4
Environment	4	4	4	4	4
Diversity	4	4	4	4	4
Human Rights	4	4	4	4	4
Discretionary	4	4	4	4	4
Corporate	4	4	4	4	4

Number	Rating
4	Very High
3	High
2	Moderate
1	Low
0	No

### 1. Johnson and Johnson (JNJ)

- a. Health and Safety (Very High) – JNJ provides Health Media to their employees which include a full suite of online resources. Their goals are to have zero illnesses, zero injuries, and zero fines.
- b. Environment (Very High) – JNJ established Healthy Planet goals for 2015 to minimize the environmental impact of their company. 99% of their facilities comply with International Standard Organization (ISO) environment management system.
- c. Diversity (Very High) – Diversity is central to their culture and is deeply rooted in their credo. Their vision is "to maximize the global

power of diversity and inclusion to drive superior business results and sustainable competitive advantage.”

- d. Human Rights (Very High) – JNJ had the most extensive human rights section out of all the companies analyzed.
- e. Discretionary (Very High) – Much of their discretionary activities includes donating time, healthcare products, and money globally. They contribute \$603.3 million in cash and products to over 700 philanthropic programs.
- f. Corporate (Very High) – They publish a code of conduct and CSR report and report their CSR efforts to Global Reporting Initiative (GRI) and Financial Times and London Stock Exchange (FTSE)4Good Index (Johnson and Johnson, 2011).

## **2. Walt Disney**

- a. Health and Safety (Very High) – Disney utilizes a team safety strategy where everyone is accountable for each other. Safety is embedded into the planning process for all of their projects and business segments.
- b. Environment (Very High) – They report their carbon emissions to the Carbon Disclosure Project (CDP) and have a goal to have zero net direct greenhouse gas emissions. Their Green Teams raise awareness of environmental goals around the world.
- c. Diversity (Very High) – They emphasize supplier diversity by investing \$443.6 million of direct spending to minority and women-owned business enterprises (MWBES).
- d. Human Rights (Very High) – Human rights “have always been a central focus of the company.” They publish a code of conduct for manufacturers that emphasizes their stance on child labor, forced labor, coercion, and nondiscrimination.

- e. Discretionary (Very High) – Their discretionary activities are highlighted by their VoluntEARS program and their extensive global partnerships.
- f. Corporate (Very High) – Disney publishes a Standards of Business Conduct and CSR report and reports these efforts to GRI and Dow Jones Sustainability Index (DJSI) (Walt Disney, 2011).

### **3. Kraft Foods**

- a. Health and Safety (Very High) – Kraft Foods believes that all accidents and injuries are unacceptable and that the responsibility rests on all employees to reach their goals.
- b. Environment (Very High) – They provide goals for six environmental areas: agricultural commodities, packaging, energy, water, waste, and transportation/distribution.
- c. Diversity (Very High) – They provide diversity and inclusion training for every employee at key career stages to sustain a culture that welcomes and values individual differences.
- d. Human Rights (Very High) – Kraft prohibits harassment, forced labor, child labor in accordance with International Labor Organization (ILO) and national laws and have a robust Compliance and Integrity Program.
- e. Discretionary (Very High) – Their Kraft Foods Foundation pledges money and food to ensure healthy living for people around the world.
- f. Corporate (Very High) – They report their CSR efforts to the Environmental Resource Management (ERM and DJSI). Their PROGRESS program emphasizes responsible sourcing (Kraft Foods, 2011).



#### **4. Microsoft**

- a. Health and Safety (High) – Their safety program emphasizes software and internet usage. Microsoft did not have a process to measure/document safety. They also did not seem to emphasize a lot of health and safety for their employees.
- b. Environment (Very High) – Microsoft launched a Sustainability Champions program for each employee to track their work habits and operate more efficiently.
- c. Diversity (Very High) – They have a number of partnerships to address diversity and systematically integrates those principles into their operations.
- d. Human Rights (Very High) – They comply with UN Human Rights Council and the new guiding principles for human rights. Training is emphasized for employees and suppliers.
- e. Discretionary (Very High) – Their voluntary efforts are focused on education and technology. They partner with the Clinton Global Initiative to donate software around the world.
- f. Corporate (Very High) – Microsoft's Standards of Business Conduct is very extensive and mention every aspect of CSR. They publish a CSR report and are the only company to disclose the full 400 page report of GRI (Microsoft, 2011).

#### **5. PepsiCo**

- a. Health and Safety (Very High) – Pepsi established a Health and Safety Leadership Council that is committed to being a safe and healthy company.

- b. Environment (Very High) – Their environmental efforts are focused on the 5 R's: reduce, recycle, use renewable sources, remove environmentally sensitive materials, and reuse packaging.
- c. Diversity (Very High) – They weave diversity and inclusion into their culture and conduct a biennial Organizational Health Survey to track their progress of becoming a more diverse organization.
- d. Human Rights (Very High) – Pepsi mandates human rights training to addresses forced labor, child labor, and humane working conditions for suppliers.
- e. Discretionary (Very High) – Like some of the other companies, Pepsi also donates money and time to education and low income areas. They have established many partners in those efforts.
- f. Corporate (Very High) – They publish a code of conduct that represents CSR principles as well as a CSR report. Their CSR efforts are reported to the GRI (PepsiCo, 2011).

#### **D. LARGEST COMPANIES ASSESSMENT**

In this section, I will first show the overall assessment matrix for the largest Fortune 500 companies in different industries. I will also provide a brief narrative and highlight for each category in this section. The detailed information supporting each rating can be found in Appendix B.

Table 10. Largest Companies Rating Matrix

	Largest U.S. Companies				
	WalMart	Exxon	Bank of America	GM	Hewlett Packard
Health and Safety	4	4	4	3	4
Environment	4	4	4	4	4
Diversity	4	4	4	4	4
Human Rights	3	4	2	0	4
Discretionary	4	4	4	4	4
Corporate	3	4	4	2	4

Number	Rating
4	Very High
3	High
2	Moderate
1	Low
0	No

## 1. WalMart

- a. Health and Safety (Very High) – WalMart was accepted into Occupational Safety and Health Administration’s (OSHA) VPP. They emphasize training so that they can execute their mission in compliance with safety standards.
- b. Environment (Very High) – They have a goal to be supplied 100% by renewable energy and to create zero waste. They plan to reach these goals by investing in wind and solar panels as well as initiating a number of other initiatives to minimize their environmental impact.

- c. Diversity (Very High) – Diversity is embedded in their culture and values. They publish a separate Workforce Diversity report that details their training, processes, and achievements.
- d. Human Rights (High) – WalMart is putting a lot of effort in tracking their jewelry, textiles, and agriculture to ensure labor practices are not violating their standards of ethics. They do not mention human rights training.
- e. Discretionary (Very High) – They started the WalMart Foundation, Global Empowerment Initiative, and Neighbor of Choice initiatives and volunteered more than 1.3 million hours.
- f. Corporate (High) – They publish a code of conduct that contains CSR principles and a very extensive CSR report. They do not report their CSR efforts to a CSR organization (WalMart, 2011).

## **2. Exxon Mobil**

- a. Health and Safety (Very High) – This is one of their core principles and they emphasize the following safety elements: safe facilities design and construction, accurate information, operations and maintenance, suppliers, incident investigation and analysis, and community awareness.
- b. Environment (Very High) – Exxon's highly emphasizes spill prevention. Spill prevention is the most critical of all human health and environment prevention measures for them and it is mentioned throughout their website and sustainability reports.
- c. Diversity (Very High) – ExxonMobil supports many diversity programs like the Hispanic Heritage Foundation, United Negro college fund, and the American Indian College fund.

- d. Human Rights (Very High) – They hired John Ruggie (United Nations Special Representative on Business and Human Rights) to be a consultant and help develop policies, conduct impact assessments, and establish mechanisms to track performance.
- e. Discretionary (Very High) – They are dedicated to fast-tracking U.S. fluency in science and math and support this effort with the Exxon Mobil Foundation. Additionally, they emphasize malaria prevention worldwide.
- f. Corporate (Very High)
  - i. CSR is a core principle of ExxonMobil. They publish a very extensive CSR report and report to the GRI and the International Petroleum Industry Environmental Conservation Association (IPIECA) (Exxon Mobil, 2011).

### **3. Bank of America (BOA)**

- a. Health and Safety (Very High) – BoA is a part of industry-leading OSHA program which aims to reduce injury rates and provides a safe and secure workplace and emergency evacuation.
- b. Environment (Very High) – They invested \$4 billion in renewable energy, energy-efficient projects, and low-carbon projects to reduce GHG. Also, BoA adopted Leadership in Energy and Environmental Design (LEED) standards to construct efficient buildings.
- c. Diversity (Very High) – BoA has a Global Diversity and Inclusion Council, Global Diversity and Inclusion Office, and Associate Affinity Groups. Human rights are a part of their “Act Responsibly” value.
- d. Human Rights (Moderate) – They provide training to their uniformed officers, but there was not mention of enforcement of human rights to suppliers or any discretionary initiatives.

- e. Discretionary (Very High) – BoA is committed to a 10 year, \$2 billion community project that is supported by their Neighborhood Excellence Initiative. They have a very unique layout of their website showing their community involvement in different cities around the company.
- f. Corporate (Very High) – They publish a code of conduct book and CSR report. They report these efforts to GRI and Social Responsibility Index (SRI) (Bank of America, 2011).

#### **4. General Motors (GM)**

- a. Health and Safety (High) – Their “overriding” priority is to protect the health and safety of each employee. They do not mention their system to measure or document health and safety.
- b. Environment (Very High) – GM has 16 carbon-reducing projects and are goal-oriented to restoring and preserving the environment, reducing waste and pollutants, conserving resources, and recycling materials.
- c. Diversity (Very High) – They established a Supplier Diversity Program and Minority Dealer Development (MDD) for suppliers.
- d. Human Rights (No) – GM does not mention human rights.
- e. Discretionary (Very High) – They have a separate community involvement website that shows their commitment to education.
- f. Corporate (Moderate) – GM does publish a code of conduct that includes CSR principles, but they do not publish a CSR report (General Motors, 2011).

#### **5. Hewlett Packard (HP)**

- a. Health and Safety (Very High) – They employ a comprehensive Environmental, Health, and Safety (EHS) management system and

policies that create safe and healthy practices to meet their injury-free goal.

- b. Environment (Very High) – HP has a very impressive list of environmental initiatives that they are employing globally. They are using their technological capabilities to set the standard in environmental tracking system (Central Nervous System and Smart Grid).
- c. Diversity (Very High) – They have their own HP diversity and inclusion website that posts all of their diversity policies (nondiscrimination, harassment-free work, domestic partner, and open door policy).
- d. Human Rights (Very High) – HP was one of eight leading multinationals invited to found and steer Global Business Initiative on Human Rights (GBIHR) and are demonstrating leadership in respecting human rights.
- e. Discretionary (Very High) – They developed the HP Catalyst Initiative to support the next generation of scientists and engineers.
- f. Corporate (Very High) – HP publishes a Standard of Business Conduct that includes CSR principles. They publish the most extensive Global Citizenship Report, report under the GRI framework, and are a leader of the DJSI (Hewlett Packard, 2011)

## **E. ANALYSIS OF RESULTS**

This research indicates that the approach to CSR by defense contractors is different than those companies who receive the majority of their revenues from commercial sources. The following chart shows that defense contractors have a lower emphasis on CSR than the companies that receive the majority of their revenues from commercial sources.

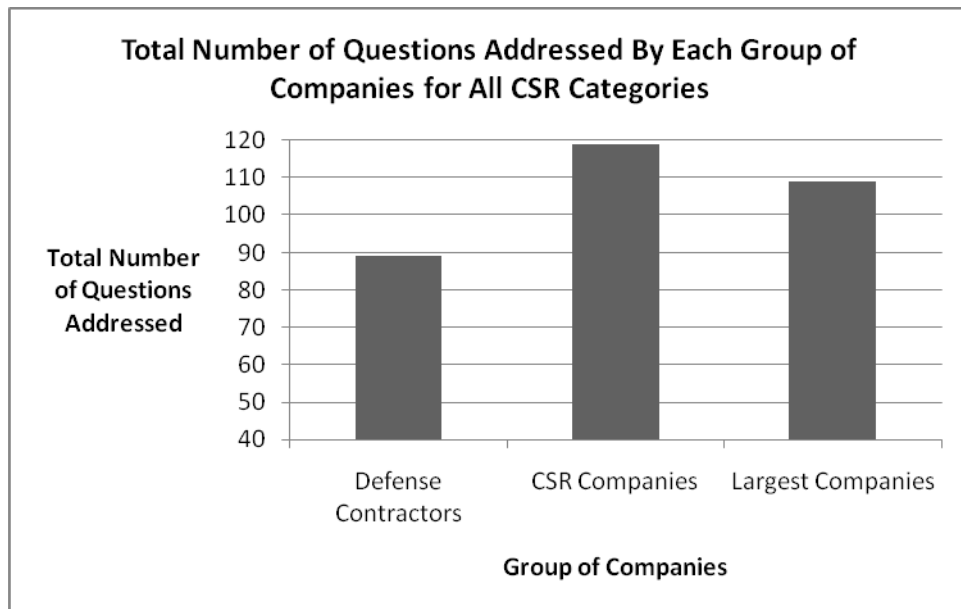


Figure 3. Total Number of Questions Addressed By Each Group of Companies for All CSR Categories.

Of the 120 questions assessed (5 companies\*6 CSR categories\*4questions), defense contractors addressed 89 questions (74.17%), CSR companies addressed 119 questions (99.17%), and the largest companies addressed 109 questions (90.83%). However, the graph below shows that L-3 Communications emphasized CSR significantly less than other defense contractors, weighing heavily on the total results. They addressed 7 of 24 questions (29.17%) in this study.



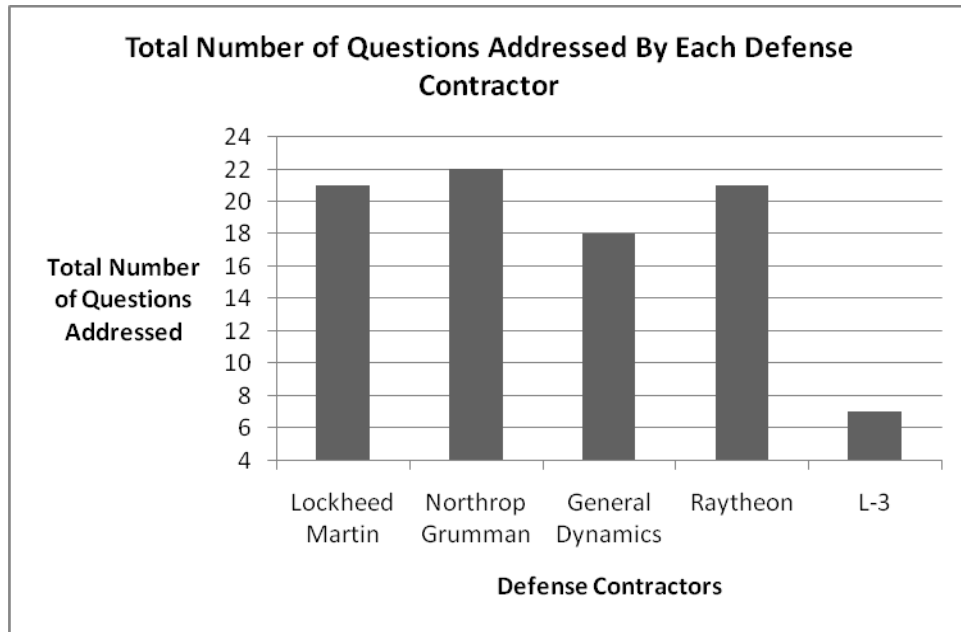


Figure 4. Total Number of Questions Addressed By Each Defense Contractor

L-3's low emphasis on CSR could be considered an outlier that skewed the data in this limited study. If L-3 had the average of the other defense contractors (20 of 24), the hypothetical graph shows a total that is more comparable to the companies that receive their revenues from commercial sources.

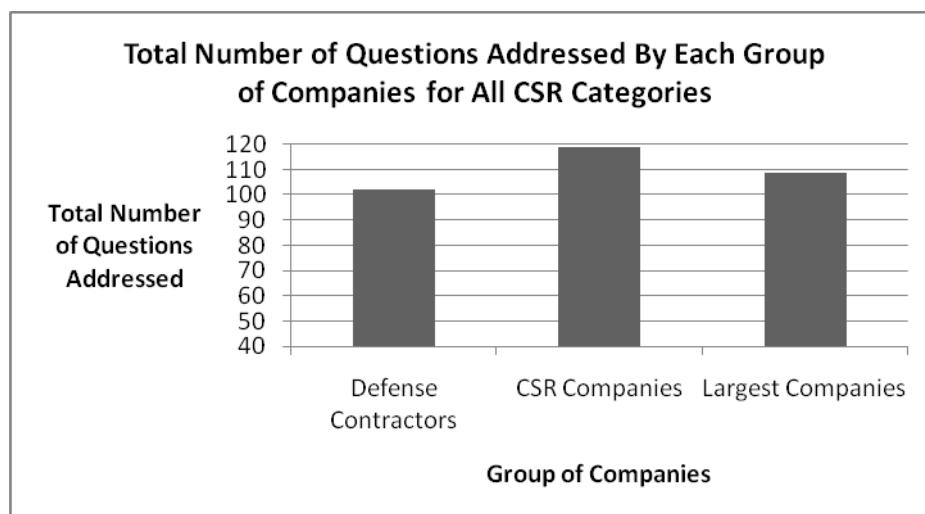


Figure 5. Total Number of Questions Addressed By Each Group of Companies for All CSR Categories (Hypothetical)

Even with a hypothetical adjustment to the graph above, defense contractors still show the least emphasis on CSR compared to the other 10 companies. Figure 6 shows how each group of companies performed in the six CSR categories and alludes to areas that defense contractors should address in their CSR efforts.

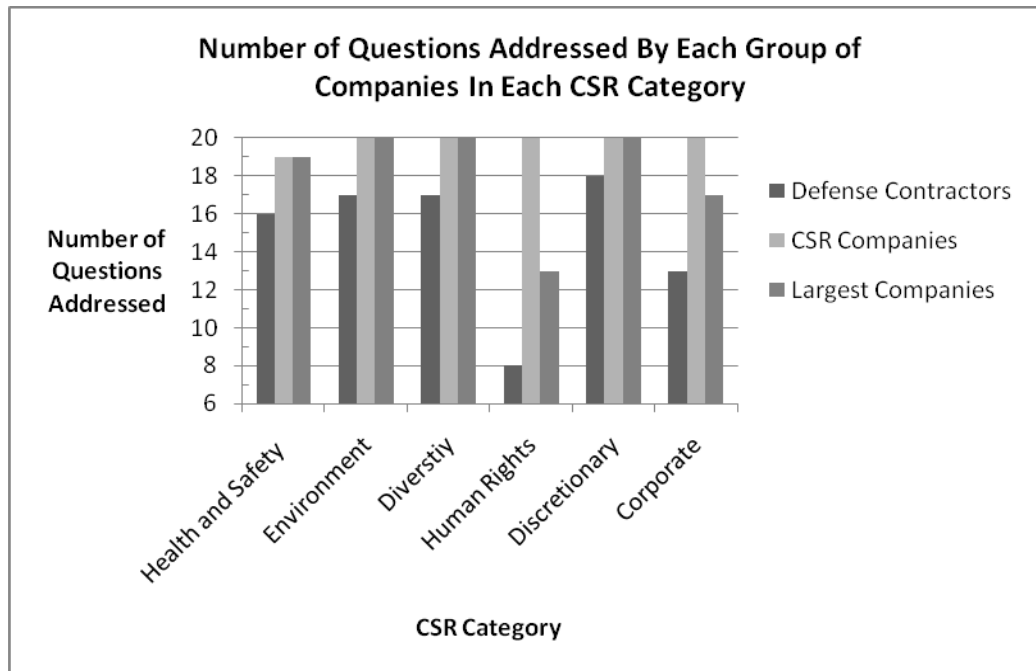


Figure 6. Number of Questions Addressed By Each Group of Companies for Each CSR Category

Figure 6 indicates that defense contractors show a lesser emphasis in each of the CSR categories. Most notably, they show the least amount of emphasis on the human rights and corporate CSR categories. Likewise, the largest companies also show a lesser emphasis in these categories. The graph below consolidates the data for all of the companies to illustrate these least emphasized categories. All three groups of companies were rated as having a “High” and “Very High” emphasis on the discretionary, diversity, environmental, and health and safety categories.

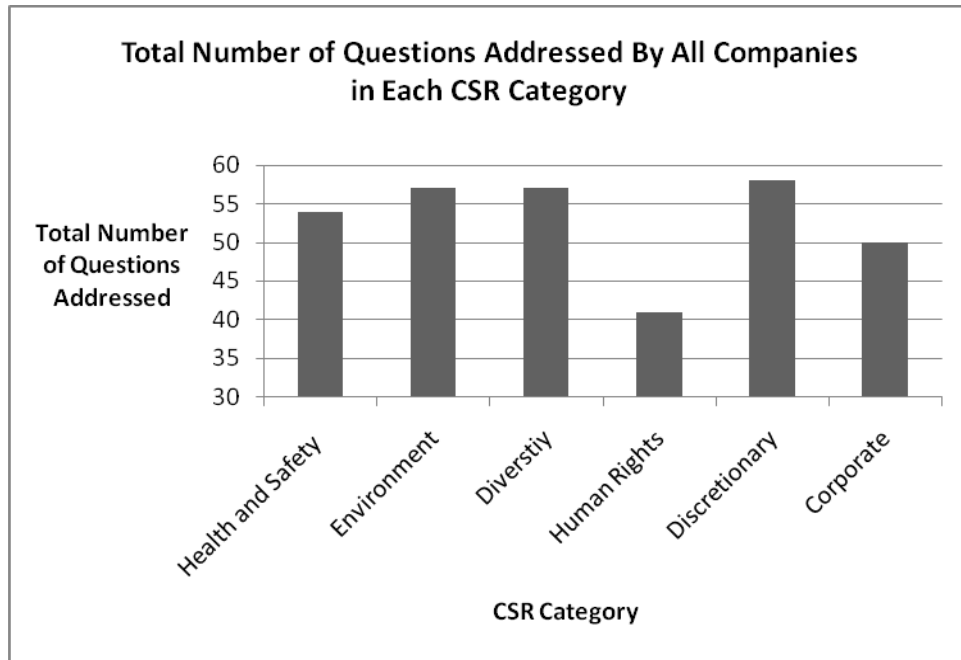


Figure 7. Total Number of Questions Addressed by All Companies in Each CSR Category

If defense firms want to have CSR programs that are more comparable with non-defense firms, they should place more emphasis on the human rights and corporate level in the following areas:

- Formal human rights program
- Human rights training
- Human rights enforcement of suppliers
- Discretionary activities promoting human rights
- Publish a CSR report
- Report CSR efforts to a third-party CSR organization

## F. CONCLUSION

This chapter highlighted the results of this research and answered the question: how much emphasis is put on different CSR categories by defense contractors compared to those that receive the majority of their revenues from commercial sources? The results show that defense contractors place less emphasis on CSR than those companies that receive the majority of their revenues from commercial sources. However, the limited

nature of this research may have given too much weight to the low CSR emphasis by L-3 Communications and skewed the data to show defense contractors significantly lagging behind the other two groups of companies. If L-3 was thrown out for being an outlier, defense contractors would still show a slightly less emphasis on the CSR categories than the other groups of companies.

Government contractors showed the least emphasis on human rights, followed by the corporate category. These two categories were also the least emphasized by the largest companies. This indicates that companies should address their human rights program, training, emphasis to suppliers, and have discretionary activities. Defense contractors should also publish CSR/Sustainability reports and report their efforts to a third-party CSR organization.

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## **V. SUMMARY, CONCLUSION, AND AREAS FOR FURTHER RESEARCH**

### **A. SUMMARY**

Chapter I provided a foundation for this research by defining CSR and its importance to public policy. Defense contractors are extensions and agents of elected and appointed officials. Therefore, this research compared the CSR approach of defense contractors with companies that receive the majority of their revenue from public funds. This chapter also described the purpose of this research as well as the methodology which is addressed in Chapter III.

Chapter II was the literature review and described the evolution of the CSR definition. This research used Carroll's definition which emphasized the discretionary element of CSR which extends beyond the law (Carroll, 1999; Davis, 1960). Stakeholder Theory is critical to CSR as it offers both the wide and narrow views of the stakeholder. The wide view expands the stakeholders to include any person or group that are affected by the corporation's actions (Freeman, 2004). This theory supports companies' responsibility to invest in the CSR categories. Milton Friedman was against CSR because money spent on social responsibility decreases the value of the stock price. Edmund Byrne and Mallen Baker raised questions about defense contractors being socially irresponsible because of the nature of that industry (Baker, 2005; Byrne, 2007). This study did not seek to address these questions in their philosophical nature, but prompted general interest of whether defense contractors have the same approach to CSR as other companies.

Chapter III detailed the methodology used to answer the research question. This research compared the top defense contractors by percentage of taxpayer dollars to the top five CSR companies and the top five Fortune 500 companies representing different industries. The methodology primarily used questions developed by the ISM. Additional questions were developed from Nathan Hurst's 2004 study as well as my analysis of the top 5 CSR companies' best practices. There were six CSR categories with four questions

in each category that were assessed for each company. All of the information used to determine the emphasis placed on CSR was publicly available.

Chapter IV analyzed the results of the research. The results showed that defense contractors placed less emphasis on CSR than companies that receive the majority of their revenue from commercial sources. Government contractors showed the least emphasis on human rights followed by the corporate category. This was also true for the largest companies. This indicates that companies should address their human rights programs, training, emphasis to suppliers, and employ discretionary activities. Defense contractors should also publish CSR/Sustainability reports and report their efforts to a third-party CSR organization.

## **B. CONCLUSION**

This research project was conducted to answer the question: How much emphasis is put on the CSR areas by defense contractors compared to those that receive the majority of their revenues from commercial sources? The results indicate that defense contractors place a lesser emphasis on CSR than the other two groups of companies. Of the 120 questions assessed (5 companies\*6 CSR categories\*4questions), defense contractors addressed 89 questions (74.17%), CSR companies addressed 119 questions (99.17%), and the largest companies addressed 109 questions (90.83%). Additionally, defense contractors had a lesser emphasis on every CSR category.

## **C. AREAS FOR FURTHER RESEARCH**

This research indicates that there are several areas that could be explored further. First, the sample size is small, so the impact of an outlier like L-3 Communications carries a significant amount of weight. Future research should include more companies in order to get a better representation of the approach to CSR. The top CSR companies indicated a much higher level of emphasis on CSR in certain areas, but those efforts were not emphasized fully in the methodology used in this study. Eventual inquiry could expand on the criteria in each category to be able to represent exceptional CSR efforts. Additionally, defense contractors had lower revenues than the companies receiving revenue from commercial sources. Future study could compare companies that have

more similar revenues. Finally, further research could specifically explore the human rights and corporate categories of defense contractors. These were the two areas least emphasized which could indicate that they need to be further addressed.



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## APPENDIX A: SOCIAL RESPONSIBILITY MATURITY MATRIX

Table 11. Social Responsibility Maturity Matrix (ISM, 2011)

<b>Social Responsibility Maturity Matrix</b>	
<b>Principle</b>	<b>Attribute</b>
<b>Community</b>	
	The organization has specific activities in place to demonstrate its commitment to the community
	Community activities are acknowledged and recognized by the organization
	The organization allows time for people to be away from the job to work in the community.
	The organization's community efforts include charitable donations and support of economic development programs
<b>Diversity</b>	
	The organization's leadership has demonstrated buy-in to the value and business proposition for diversity
	The organization has a formal processes in place to promote diversity
	The organization's diversity process is broadly and thoroughly communicated
	The organization has a formal tracking system to assess the impact of diversity processes within the organization and its supply chain.
	The organization has written or electronic copies of first-tier suppliers' policies and processes
	The organization reviews and approves first-tier suppliers' policies and processes
	The organization ensures equal access to employment and promotion opportunities
<b>Environment</b>	
	The organization has specific environmental policies and procedures in place
	The organization recycles waste
	The organization measures the percentage of disposable waste that is recycled
	The organization has a plan in place to optimize the percentage of disposable waste that is recycled
	The organization takes action to reduce the volume of waste created
	The organization complies with laws and regulations in the handling of hazardous waste

<b>Social Responsibility Maturity Matrix</b>	
<b>Principle</b>	<b>Attribute</b>
	The organization meets regulatory targets for emissions
	The organization reports the results of its environmental efforts
	The organization requires its suppliers to report the results of their environmental efforts
	The organization has product recovery/recycling processes in place to minimize the adverse environmental impact of its products
	The organization designs its products and or services to minimize any adverse environmental impact
	The organization includes environmental factors in supplier agreements
	The organization keeps abreast of current environmental and waste issues
<b>Ethics</b>	The organization has a formal code of ethics in place
	The code of ethics is communicated in writing to employees and suppliers
	The organization delivers formal training to employees on the code of ethics
	The organization includes the code of ethics in formal supplier orientation and/or training
	The organization has corrective action and compliance processes documented and implemented
	Ethics are included in each individual's job responsibilities and objectives
	The organization has a process in place to measure achievement of ethics objectives
	The organization requires suppliers to have their own code of ethics in place to address unethical behavior
	The organization requires suppliers to have processes in place to support action and compliance
<b>Financial Responsibility</b>	
	The organization educates employees about appropriate financial responsibilities
	The organization has a process in place to acknowledge employees who, through their actions, demonstrate a strong commitment to financial responsibility
	The organization has a process in place to promote employees who, through their actions, demonstrate a strong commitment to financial responsibility
	The organization has corrective action and compliance processes documented and implemented
	The organization has documented and implemented fiscal policies, financial management systems, and accounting controls that help to ensure financial responsibility and long-term viability

<b>Social Responsibility Maturity Matrix</b>	
<b>Principle</b>	<b>Attribute</b>
	The organization requires suppliers to provide documentation of those fiscal policies, financial management systems, and accounting controls that they have implemented to ensure financial responsibility and long-term viability
<b>Human Rights</b>	
	The organization assesses human rights conditions internally
	The organization assesses human rights conditions of first-tier suppliers
	The organization assesses human rights conditions of suppliers beyond the first tier
	The organization has processes documented and implemented to enforce internal human rights policies
	The organization has processes documented and implemented to enforce supplier human rights policies
	The organization has processes in place to ensure that human rights laws are understood and properly applied
	The organization has documented and implemented policies to promote an environment in which everyone is treated with dignity and respect
	The organization includes the right of individuals to be treated with dignity and respect in employee orientation
	The organization includes the right of individuals to be treated with dignity and respect in formal employee training
<b>Safety</b>	
	The organization has formal safety policies and procedures in place
	The safety policies and procedures are communicated in writing to employees
	Safety policies and procedures are communicated in writing to suppliers
	The organization delivers formal training to employees on safety policies and procedures
	The organization delivers formal training to suppliers on safety policies and procedures
	The organization has a process in place to measure achievement of safety objectives
	The organization has a process in place to assess and continually review supplier safety
	The organization has a process in place to assess and continually review contractor safety

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## APPENDIX B

### A. DEFENSE CONTRACTORS: DETAILED RESULTS

Table 12. Defense Contractor's Results for Each CSR Category and Question

		DEFENSE CONTRACTORS				
		Lockheed Martin	Northrop Grumman	General Dynamics	Raytheon	L-3
<b>Health and Safety</b>						
	Organization has a safety program/policies published.	X	X	X	X	X
	Organization trains its employees and/or suppliers in safety.	X		X	X	
	Organization publishes safety goals.	X	X	X	X	
	Organization has process to measure/document safety performance.	X	X	X	X	
	<b>Sum of Rating</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>1</b>
	<b>Adjectival Rating</b>	<b>VERY HIGH</b>	<b>HIGH</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>LOW</b>
<b>Environment</b>						
	Organization has specific environmental goals in place.	X	X	X	X	
	Organization addresses recycling and minimizing waste and environmental impact.	X	X	X	X	X
	Organization reports environmental efforts.	X	X	X	X	
	Organization has discretionary environmental initiatives in place.	X	X	X	X	
	<b>Sum of Rating</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>1</b>



		DEFENSE CONTRACTORS				
		Lockheed Martin VERY HIGH	Northrop Grumman VERY HIGH	General Dynamics VERY HIGH	Raytheon VERY HIGH	L-3 LOW
Diversity	Adjectival Rating					
	Organization has a formal program and/or processes in place to promote diversity.	X	X	X	X	X
	Organization trains employees and/or suppliers on diversity.	X	X		X	
	Organization ensures equal access to employment opportunities.	X	X	X	X	X
	Organization has discretionary diversity initiatives.	X	X	X	X	
	Sum of Rating	4	4	3	4	2
	Adjectival Rating	VERY HIGH	VERY HIGH	HIGH	VERY HIGH	MODERATE
Human Rights						
	Organization has a formal program and/or processes in place to promote human rights.	X	X		X	
	Organization trains employees on human rights.	X	X			
	Organization mentions human rights enforcement to suppliers.	X	X		X	
	Organization has discretionary initiatives to promote human rights.					
	Sum of Rating	3	3	0	2	0
	Adjectival Rating	HIGH	HIGH	NO	MODERATE	NO
Discretionary						
	Organization has specific activities that demonstrate commitment to the community.	X	X	X	X	

		DEFENSE CONTRACTORS				
		Lockheed Martin	Northrop Grumman	General Dynamics	Raytheon	L-3
	Organization allows/encourages employees to volunteer.	X	X	X	X	X
	Organization's efforts include charitable donations	X	X	X	X	
	Organization partners with other organizations for community projects.	X	X	X	X	
	<b>Sum of Rating</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>1</b>
	<b>Adjectival Rating</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>LOW</b>
	<b>Corporate</b>					
	Organization publishes a Code of Conduct or Standards of Business.	X	X	X	X	X
	Organization's core principles/values reflect CSR principles.	X	X	X	X	X
	Organization publishes CSR/Sustainability Report.		X	X	X	
	Organization reports CSR efforts to higher authority or governance (e.g. GRI)		X			
	<b>Sum of Rating</b>	<b>2</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>2</b>
	<b>Adjectival Rating</b>	<b>MODERATE</b>	<b>VERY HIGH</b>	<b>HIGH</b>	<b>HIGH</b>	<b>MODERATE</b>

## 1. Lockheed Martin

### a. Health and Safety

- i. Promote health from their leadership and provide comprehensive programs, tools, and resources for their employees.

- ii. Started a “25-Foot” safety control initiative that promoted ownership for each individual being safe and accountable for everything within 25 feet. Integrate health and safety into their business lifecycle, development, product and service design.
- iii. Target zero injuries, and make safety the top priority.
- iv. Instituted the Lockheed Martin Standard Injury and Illness (LMSII) system which is an online reporting tool.
- v. **Emphasis: Very High**

b. Environment

- i. Go Green establishes goals to reduce water, waste, and carbon emissions.
- ii. Their Go Green program addresses reducing the environmental impacts of their products and practices. This is also addressed in their ESH mission.
- iii. They are certified by the U.S. Building Council’s LEED. Member of International Forum on Business Ethical Conduct, Occupational Health and Safety Standards, Save Energy Now, Climate Leaders, EPA Green Power Partnership, National Environmental Education Foundation, CDP, Massachusetts Institute of Technology (MIT) Energy Initiative, University of Maryland.
- iv. Their Go Green program was established to reduce environmental impact and is applied through their supply chain. They have also established a Chemical Strategies Partnership (CSP).
- v. **Emphasis: Very High**

c. Diversity

- i. Diversity contributes to the organization’s vision. Developed a DMM to track the organization’s progress and directly link diversity with their strategic direction and policy.
- ii. Allow forum for employees and suppliers to get training and give feedback to ensure there is a 360 degree assessment.

- iii. Take Affirmative Action Plan (AAP) and Equal Employment Opportunity (EEO) very seriously and acknowledge that diversity emphasis goes beyond that law.
  - iv. Established an Executive Diversity Council with 33 local Diversity Councils.
  - v. **Emphasis: Very High**
- d. Human Rights
  - i. Emphasized in the code of ethics.
  - ii. Management receives recurring Business Conduct Compliance Training.
  - iii. “We want our suppliers to understand, foster, and mirror the ethical conduct we expect from our employees in all business challenges and transactions.”
  - iv. There is no evidence of discretionary initiatives emphasizing human rights.
  - v. **Emphasis: High**
- e. Discretionary
  - i. Emphasize commitment to community by having a separate section of their website that indicates a high level of discretionary initiatives.
  - ii. Employees are encouraged to volunteer with an emphasis on education. Volunteered more than 1.2 million hours through Lockheed Martin Space Day Education Initiatives, MATHCOUNTS, National Engineers Week, and K-12 mentoring.
  - iii. Commit 50% of their donations to philanthropic contributions, outreach initiatives and volunteer hours to education; 30% to local community, and 20% to customers and constituents.
  - iv. Support project Linus for those in tragic events. Partner with many other programs to help women, children, and homeless.
  - v. **Emphasis: Very High**

f. Corporate

- i. Code of Conduct was recently published in September 2011 by their Office of Ethics and Business Conduct which includes reporting violations, accountability, human rights, accurate business records, and many others.
- ii. By-laws have an Ethics and Corporate Responsibility section.
- iii. They have not released a CSR/Sustainability Report since 2007.
- iv. They do not report their CSR efforts to a higher CSR authority or organization.
- v. **Emphasis: Moderate**

Reference: Lockheed Martin, 2011

**2. Northrop Grumman**

a. Health and Safety

- i. ELC oversees and implements their policies. Tie this metric to company's performance assessment for incentives and compensation (only company to mention this).
- ii. No specific mention of safety training.
- iii. Set goals based on industry-standard OSHA metrics. Goals are to have an accident-free workplace and to achieve an industry-best Total Case Rate (total number of OSHA-recordable injuries per 100 full-time workers).
- iv. Regulatory agency representatives for occupational health and safety visited Northrop Grumman sites three times.  
Occupational health and safety assessment series (OHSAS) 18001 is an international health and safety management system specification that helps organizations manage occupational risks and improve health and safety performance.
- v. **High**

b. Environment

- i. Emphasized reaching goals for their incentive and compensation system.
- ii. Proactive strategies to reduce GHG and waste and increase alternative energy solutions and recycling. Started greeNG program to mitigate environmental impact.
- iii. They report to the CDP (improved by 62% and risen from being ranked 335th to 173rd for comprehensive environmental ranking).
- iv. Work with Conservation International, EarthWatch, WaterSense, and National Environmental Education Foundation.
- v. **Very High**

c. Diversity

- i. ERG are a key element in their diversity and inclusion strategy by recruiting, assimilating, developing, and retaining their workforce.
- ii. They provide training on their values which includes, “We treat one another with respect and take pride in the significant contributions that come from the diversity of individuals and ideas.”
- iii. Publish policies on EEO and AAP.
- iv. There are more than 23,000 employees engaged with ERG to lead in community outreach efforts. The company continues to support and develop partnerships with the national society of Black Engineers, the society of Hispanic Professional Engineers, the Society of Women Engineers, the American Indian Science and Engineering Society and other diversity-based professional associations.
- v. **Very High**

d. Human Rights

- i. They publish their human rights information aligned with GRI.
- ii. Because every supplier to our company is a valued team member, we cannot accept poor practices from suppliers in any area: human rights and labor, diversity, quality, occupational health and safety or environmental responsibility. Every Northrop Grumman supplier receives an annual letter outlining our ethics policies and code of conduct.
- iii. Emphasize human rights to their supplier.
- iv. Do not mention discretionary initiatives.
- v. **High**

e. Discretionary

- i. They emphasize their commitment to the community and that they take responsibility for it.
- ii. They encourage employees to volunteer in the STEM program.
- iii. Contributed \$29.9 million in philanthropic donations with support to the earthquake in Haiti and USO/deployed troops.
- iv. Partner with, Earthwatch, Northrop Grumman Weightless Flights, and CyberPatriot.
- v. **Very High**

f. Corporate

- i. They publish a Code of Conduct
- ii. Integrity and responsible citizenship is in their Code of Conduct.
- iii. CSR report is very extensive with in-depth analysis and full sections from their GRI report.
- iv. Report their CSR efforts to GRI and received an “A Rating.”
- v. **Very High**

Reference: Northrop Grumman, 2011

### 3. General Dynamics

#### a. Health and Safety

- i. There are a number of health and safety programs across all businesses segments.
- ii. They work with the Metal Trade Council (MTC) labor union to develop and teach the skills that workers need to be safe while working in the shipyard.
- iii. They have goals to reduce the absence cases and lost days per 200,000 hours.
- iv. National Steel and Shipping Company (NASSCO) reduced injury rate by 61% in past 4 years with safety accountability program. Gulfstream set standard for safe work environment through their robust injury prevention program encompassing ergonomics and musculoskeletal disorder.

#### v. **Very High**

#### b. Environment

- i. Review facilities' efficiencies and establish goals for improving as well as investing in new infrastructure and alternative energy.
- ii. Leader in improving environmental quality by minimizing waste and emissions, reusing and recycling, and reducing the use of natural resources.
- iii. Report building design for LEED certification by the U.S. Green Building Council. Also, the Waste Reduction Awards Program and Industrial Environmental Association.
- iv. Began initiative to measure the amount of GHG and have already been reducing the levels in the last four years.

#### v. **Very High**

#### c. Diversity

- i. They have received numerous awards for their emphasis on diversity.



- ii. There is no mention of diversity training.
  - iii. Support EEO and AAP as well as an emphasis on valuing differences and backgrounds.
  - iv. They have supported a number of events intended to increase diversity in the science and technology field including: National Society of Black Engineers, Society of Hispanic Professional Engineers, Society of Women Engineers, and many more).
  - v. **High**
- d. Human Rights
  - i. No demonstration of buy-in.
  - ii. No indication of training.
  - iii. Do not mention enforcement of suppliers.
  - iv. No discretionary initiatives mentioned.
  - v. **No**
- e. Discretionary
  - i. They are committed to the community and specifically the military community (Ethics Art Festival, Uniformed Services Employment and Reemployment Rights Act (USERRA), Military Kids, USO, Hire a Hero, and Wounded Warriors program).
  - ii. Volunteer work For Inspiration and Integration of Science and Technology (FIRST), STEM, and Boys & Girls Club.
  - iii. They make charitable donations to the previous organizations and programs as well as supporting school systems, theater, and education for low-income student.
  - iv. Their partnerships are stated above.
  - v. **Very High**

f. Corporate

- i. Publish a “Blue Book” of ethics for employees with an emphasis on situational based training.
- ii. Some CSR principles are a part of their core principles/values, specifically ethics and reputation due to a commitment to external stakeholders.
- iii. They publish a CSR/Sustainability.
- iv. They do not report CSR efforts to a higher authority of governance.
- v. **High**

Reference: General Dynamics, 2011

**4. Raytheon**

a. Health and Safety

- i. They have a Mission:Healthy program that comprehensively addresses wellness and health needs within the organization. They are certified as a VPP company. Only about 2,314 of approximately nine million worksites have received VPP certification.
- ii. Developed and deployed two Web-based learning modules to address lifting risks and slips, trips and falls.
- iii. They have a goal to be injury-free and other injury/illness prevention measures from VPP program.
- iv. They track injury rate, lost workday case rate, and days away/restricted or transferred rate (DART). They also employ a comprehensive EHS audit program.
- v. **Very High**

b. Environment

- i. Developed long-term sustainability goals with 2008 as the benchmark.

- ii. Respect the external environment by minimizing pollution and waste, conserving natural resources, maximizing reuse and recycling, and reducing their carbon footprint.
- iii. Achieved LEED certification for their buildings with high efficiency lighting, efficiency motors, state-of-the-art energy management and control. Initiated EPA's Climate Leaders and have been awarded by the EPA for their GHG reduction.
- iv. Energy Citizen program is for individual employees to participate and track their own impact. Exploring more energy options and are addressing hazardous waste, water conservation and have international initiatives.
- v. **Very High**

c. Diversity

- i. Created an inclusive culture that fully engages all employees and stakeholders to deliver superior business performance. Diversity wheel that illustrates all of the diverse backgrounds that they value.
- ii. Emphasize diversity within supply chain. Run diversity summits throughout every region to relay their ongoing initiatives.
- iii. Send out an Employee Opinion Survey where they received a 97% favorability rating for diversity, higher than the national average of 67%.
- iv. Raytheon held a series of regional diversity summits in which more than 2,000 employees from across the company participated. Further explored diversity competencies.
- v. **Very High**

d. Human Rights

- i. The Company's policies, practices and procedures, both domestically and internationally, reflect a strong commitment to respect for human rights.
- ii. Do not mention training

- iii. This effort extends to domestic and international suppliers who must contractually commit to operate in accordance with all applicable laws. Further, the Company's standard contractual arrangements also permit it to terminate a supplier for failure to comply with the requirements of Raytheon's Code of Business Ethics and Conduct, even if the non-compliance is unrelated to performance of the subcontract.
  - iv. Do not mention initiatives to promote human rights.
  - v. **Moderate**
- e. Discretionary
  - i. High commitment to the community with separate webpage for all initiatives.
  - ii. Many initiatives encourage volunteering. Focus on Math MovesU, elementary science, teacher scholarships, MATHCOUNTS, high school robotics, and host Team Rocketry Challenge.
  - iii. High level of philanthropy.
  - iv. Partner with aforementioned organizations for volunteering as well as USO and Marine Corps Scholarship.
  - v. **Very High**
- f. Corporate
  - i. They publish a code of conduct and ethics
  - ii. Integrity is a top value, and CSR principles are integral to their visions and values (e.g. diversity, community, integrity).
  - iii. They publish a CSR report.
  - iv. They do not indicate that they report CSR information to independent CSR organization.
  - v. **High**

Reference: Raytheon, 2011

## 5. L-3 Communications

### a. Health and Safety

- i. They are committed to employee health and safety at all facilities. They follow the rules and procedures established at their facilities by complying with health and safety laws.
- ii. Do not mention training.
- iii. Do not include goals.
- iv. There is no evidence of safety reporting/measurement tool.
- v. **Low**

### b. Environment

- i. Do not include goals.
- ii. They have an environmental section in the code of conduct that states that they will abide by laws and regulations, incorporate environment in decisions, pursue opportunities to prevent pollution by minimizing quantity of hazard from chemicals, and not create unacceptable risks to the environment.
- iii. Do not report efforts.
- iv. Do not have discretionary initiatives.
- v. **Low**

### c. Diversity

- i. “We create an inclusive environment that is focused on a common purpose and where diversity in people and perspective is valued. We cooperate across organizational boundaries, focusing on adding value and earning the trust of our teammates...We strive to provide a productive workplace free from all types of unlawful discrimination.”
- ii. Do not mention training.

- iii. “Unlawful discrimination in recruiting, hiring, salary actions, promotion, career development or termination will not be permitted. Any such discrimination against a customer or supplier is also strictly prohibited.”
  - iv. Do not have discretionary initiatives.
  - v. **Moderate**
- d. Human Rights
  - i. Do not demonstrate buy-in.
  - ii. Does not mention training.
  - iii. Does not mention enforcement to supplier.
  - iv. Does not mention initiatives to promote human rights.
  - v. **No**
- e. Discretionary
  - i. Do not demonstrate commitment to the community.
  - ii. They do emphasize volunteering to their employees.
  - iii. Do not mention charitable donations.
  - iv. Do not indicate that they partner with other organizations.
  - v. **Low**
- f. Corporate
  - i. They publish a code of ethics with an emphasis of being a good steward to communities. They have a scenario based code of conduct and emphasis on following rules and regulations.
  - ii. The stakeholders include community which is a part of their culture and values.
  - iii. Do not publish a CSR/Sustainability report.
  - iv. Do not report CSR efforts to higher authority.
  - v. **Moderate**

Reference: L-3 Communications, 2011

## B. TOP CSR COMPANIES: DETAILED RESULTS

Table 13. Top CSR Companies' Results for Each CSR Category and Question

		TOP CSR COMPANIES				
		Johnson and Johnson	Walt Disney	Kraft Foods	Microsoft	PepsiCo
<b>Health and Safety</b>						
	Organization has a safety program/policies published.	X	X	X	X	X
	Organization trains its employees and/or suppliers in safety.	X	X	X	X	X
	Organization publishes safety goals.	X	X	X	X	X
	Organization has process to measure/document safety performance.	X	X	X		X
	<b>Sum of Rating</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>4</b>
	<b>Adjectival Rating</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>HIGH</b>	<b>VERY HIGH</b>
<b>Environment</b>						
	Organization has specific environmental goals in place.	X	X	X	X	X
	Organization addresses recycling and minimizing waste and environmental impact.	X	X	X	X	X
	Organization reports environmental efforts.	X	X	X	X	X
	Organization has discretionary environmental initiatives in place.	X	X	X	X	X
	<b>Sum of Rating</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>

		TOP CSR COMPANIES				
		Johnson and Johnson	Walt Disney	Kraft Foods	Microsoft	PepsiCo
		VERY HIGH	VERY HIGH	VERY HIGH	VERY HIGH	VERY HIGH
Adjectival Rating						
Diversity						
	Organization has a formal program and/or processes in place to promote diversity.	X	X	X	X	X
	Organization trains employees and/or suppliers on diversity.	X	X	X	X	X
	Organization ensures equal access to employment opportunities.	X	X	X	X	X
	Organization has discretionary diversity initiatives.	X	X	X	X	X
	Sum of Rating	4	4	4	4	4
	Adjectival Rating	VERY HIGH	VERY HIGH	VERY HIGH	VERY HIGH	VERY HIGH
Human Rights						
	Organization has a formal program and/or processes in place to promote human rights.	X	X	X	X	X
	Organization trains employees on human rights.	X	X	X	X	X
	Organization mentions human rights enforcement to suppliers.	X	X	X	X	X
	Organization has discretionary initiatives to promote human rights.	X	X	X	X	X
	Sum of Rating	4	4	4	4	4
	Adjectival Rating	VERY HIGH	VERY HIGH	VERY HIGH	VERY HIGH	VERY HIGH
Discretionary						



		TOP CSR COMPANIES				
		Johnson and Johnson	Walt Disney	Kraft Foods	Microsoft	PepsiCo
	Organization has specific activities that demonstrate commitment to the community.	X	X	X	X	X
	Organization allows/encourages employees to volunteer.	X	X	X	X	X
	Organization's efforts include charitable donations	X	X	X	X	X
	Organization partners with other organizations for community projects.	X	X	X	X	X
	<b>Sum of Rating</b>	4	4	4	4	4
	<b>Adjectival Rating</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>
<b>Corporate</b>						
	Organization publishes a Code of Conduct or Standards of Business.	X	X	X	X	X
	Organization's core principles/values reflect CSR principles.	X	X	X	X	X
	Organization publishes CSR/Sustainability Report.	X	X	X	X	X
	Organization reports CSR efforts to higher authority or governance (e.g. GRI)	X	X	X	X	X
	<b>Sum of Rating</b>	4	4	4	4	4
	<b>Adjectival Rating</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>

## 1. Johnson and Johnson

### a. Health and Safety

- i. JNJ is on an upward trend of health and wellness because of their comprehensive indicators. Provide Health Media which is a full suite of online resources, and a unique approach to increasing physical and emotional capacity through the Human Performance Institute and Corporate Athlete. Promote a culture of safety with a policy that sets forth global workplace safety standards.
- ii. They maintain a comprehensive occupational safety program for contractors.
- iii. Have established goals of zero illnesses, zero injuries, and zero fines.
- iv. JNJ uses Management Awareness and Action Review System (MAARS) to assess risk.
- v. **Very High**

### b. Environment

- i. JNJ established Healthy Planet 2010 and 2015 goals and met or exceeded nearly all Healthy Planet goals. Reduced 25% of hazardous waste as well as 12% of non-hazardous.
- ii. Reduced water, absolute CO2, and hazardous waste. JNJ has a heavy focus on water conservation that includes using treated water, installing storage tanks, and educating employees and acknowledging the human right to water.
- iii. Worldwide Environmental Health and Safety department that provides assistance and advice. 99% of their facilities comply with ISO environment management system. New construction over \$5 million must follow LEED. Disclose energy use to the CDP.
- iv. Look to do more direct reduction and rely less on offsets and have 80 energy-reduction projects approved in last 5 years. Introduced EARTHWARDS which assesses the environmental

life-cycle of all of their products. Invested in solar energy for which they tripled their capacity.

v. **Very High**

c. Diversity

- i. Diversity is central to their culture and is deeply rooted in their credo and they believe it brings richness to work environment. Vision is "to maximize the global power of diversity and inclusion to drive superior business results and sustainable competitive advantage."
- ii. They started Johnson and Johnson Diversity University to provide all necessary training.
- iii. Organization is reflective of diverse global marketplace.
- iv. Started Johnson and Johnson Diversity University as well as an office of diversity and inclusion.

v. **Very High**

d. Human Rights

- i. Voted "one of the best places to work" by Human Rights Campaign. Human rights section is the most extensive of all the companies analyzed. Follow the Universal Declaration of Human Rights and all related covenants and respect the dignity and human rights and forced/child labor.
- ii. Policy memos are posted for all aspects of human rights, business conduct, young persons, and labor on international level.
- iii. JNJ establishes external manufacturing standards for supply chain to include everything mentioned above.
- iv. Comply with human rights policies on a continuing basis through internal training programs, certification processes for external manufacturers and risk-based audit programs.

v. **Very High**

e. Discretionary

- i. Foundation of their giving is by expanding their capacity of healthcare in the U.S. and international countries. All of the discretionary initiatives are very evident and extensive.
- ii. A lot of additional giving and time for international programs such as Mother2Mothers in Africa, Elizabeth Glaser Pediatric AIDS. Foundation (counseling in for pregnant mothers), Breakthrough (an international human rights organization), and Fuyang AIDS Orphan Salvation health care.
- iii. Support many non-profits around the world for healthcare by contributing \$603.3 million in cash and products toward over 700 philanthropic programs.
- iv. Worked with the U.N. to improve the living conditions of women and children with "every women and child initiative." Volunteer Support Program (VSP) encourages opportunities, partnerships, and volunteer days.
- v. **Very High**

f. Corporate

- i. Publish Code of Conduct.
- ii. CSR is part of their credo. Credo states, "we are responsible to the communities in which we live and work and to the world community. Must be good citizens, support good works and charities, encourage civic improvements and better health and education. Maintain and protect the environment."
- iii. Publish a CSR report.
- iv. Member of FTSE4Good Index (objective measures social responsible) and report to the GRI.
- v. **Very High**

Reference: Johnson & Johnson, 2011

## 2. Walt Disney

### a. Health and Safety

- i. Disney Healthy Pursuits is the collection of benefits and wellness programs with a Wellness Rewards Program. They are the only company to publish a separate safety report.
- ii. Utilize a team safety strategy where there is accountability for every employee. Safety is embedded into the planning process for all projects. They encompass safety on all possible levels from content, product, customer, and employee.
- iii. They have a lot of safety goals with an ultimate vision of “no one gets hurt.”
- iv. They have a lot of different reporting measures across all of their different business aspect.
- v. **Very High**

### b. Environment

- i. Environmental Council establishes long-term environmental goals and medium-term targets. Waste goal is to not send anything to landfills, but are currently trying to reduce by 50% by 2013. Increased focus on water goals and product footprint by rolling out Water Conservation Plans (WCPs) in 2012.
- ii. Goals stated above address their minimizing environmental impact.
- iii. Report to the CDP and have a goal to have zero net direct greenhouse gas emissions.
- iv. Established Green Teams that expand around the world to raise awareness of environmental goals and lead events. Disney Worldwide Conservation Fund (DWCF) is a rapid response fund to donate to disasters or other emergencies.
- v. **Very High**

c. Diversity

- i. Scored 100% for six straight years on Human Rights Campaign Foundation's Corporate Equality Index.
- ii. Many of our segments also have Diversity Resource Groups, comprised of cast members and employees across the business segment, who provide enrichment, awareness, and education to the organization.
- iii. Specified the breakdown for gender and nationality for recent hires and current employees.
- iv. Supplier Diversity invested \$443.6 million of direct spending with MWBEs.
- v. **Very High**

d. Human Rights

- i. Human rights "have always been a central focus of the company." They have a Policy Statement, Assessment, Implementation, and Reporting in regards to human rights.
- ii. Whole page referencing their policies on human rights.
- iii. Code of Conduct for Manufacturers emphasizes their stance on child labor, forced labor, coercion, nondiscrimination, association, health and safety, compensation.
- iv. Created an International Labor Standards (ILS) in 1996. Extensive information about auditing and challenges on a global level.
- v. **Very High**

e. Discretionary

- i. Very committed to making local communities better.
- ii. VoluntEARS is the community outreach and volunteering program for Walt Disney with about 495,000 hours annually and inspire kids to respect the environment, nutrition, and volunteerism.

- iii. Disney Friends For Change tracks their collective impact and help decide how \$1 million is donated to environment. Contributed \$198 million to charitable organizations.
- iv. Partners with Great Ormond Street Hospital in London and Hong Kong Government's Family Council. They have extensive efforts in global partnerships.
- v. **Very High**

f. Corporate

- i. They publish a Standards of Business Conduct.
- ii. Core principles are to “act and create in an ethical manner and consider the consequences of our decisions on people, champion the happiness and well-being of kids, parents and families, inspire kids, parents, employees and communities to make lasting change in the world.”
- iii. They publish an extensive CSR report.
- iv. Reports their CSR efforts to GRI, Dow Jones Sustainability Index, FTSE4Good.
- v. **Very High**

Reference: Walt Disney, 2011

### 3. Kraft Foods

a. Health and Safety

- i. Health screenings and exams, nutrition, lifestyle improvement programs are emphasized for all employees. Believe that all accidents and injuries are unacceptable and that there is a team responsibility and accountability are important. Goal to keep all employees safe and strive for zero accidents.
- ii. Use internal and external expertise of safety committees to provide a safe work environment by emphasizing training in safety and first aid, and conducting careful investigations of accidents.

- iii. Production plants meet OSHA requirements and have improved in performance every year.
- iv. They created a new worldwide safety and environment management safety. This system brings together the best practices from legacy Cadbury and Kraft Foods.
- v. **Very High**

b. Environment

- i. Provide goals for six areas: agricultural commodities, packaging, energy, water, waste, and transportation/distribution.
- ii. Successful in reducing energy in manufacturing plants, energy-related carbon dioxide emissions, water consumption, and waste.
- iii. Rainforest, animal welfare, deforestation, and fair-trade farming friendly and report to the CDP to be more transparent.
- iv. Hired Environmental Resources Management as a consultant, and is a part of the Consumer Goods Forum's Global Packaging Project.
- v. **Very High**

c. Diversity

- i. "[Kraft Foods] prizes diverse and inclusive workplace and aims to promote culture and individual differences."
- ii. Require diversity and inclusion training for every employee at key career stages to sustain a culture that welcomes and values individual differences.
- iii. Our efforts focus on three strategic areas: culture, partnerships and accountability. Our global focus is on gender diversity. In the U.S. we also measure progress on our representation of minorities



- iv. Have now linked diversity and inclusion to executive incentive compensation to increase our leaders' accountability. Very strong emphasis of diversity for their suppliers.

- v. **Very High**

- d. Human Rights

- i. Prohibit harassment, forced labor, child labor, in accordance with ILO and national laws.
- ii. They have a robust Compliance and Integrity Program to help them train and monitor areas of human rights.
- iii. Statement about human rights for their company and their suppliers.
- iv. They embraced certification schemes Fairtrade, Rainforest Alliance and 4C for agricultural products like cocoa and coffee bean. They have partnered with many other organizations to improve lives and suppliers.

- v. **Very High**

- e. Discretionary

- i. Dedicated to giving and volunteering (very apparent from the front page of their website).
- ii. Work with CARE to improve lives of people living in poor communities through savings education, entrepreneurship, and innovative technologies. Front page of their website shows volunteering all over the world with news releases about the largest community service event in company history.
- iii. Started the Kraft Foods Foundation to pledge even more money and food to ensure healthy living for more people around the world. Emphasize food donations and are an advocate for nutrition.
- iv. Partnered with Institute for International Medicine (INMED) to fight hunger and malnutrition. Partner with many non-profit organizations.

- v. **Very High**

f. Corporate

- i. They publish a Code of Conduct.
- ii. CSR elements are a part of the core principles/values.
- iii. They publish a CSR report. Started PROGRESS which is a program for responsible sourcing. All contracts include supply chain corporate responsibility expectations.
- iv. Report under ERM and are in the DJSI.
- v. **Very High**

Reference: Kraft Foods

**4. Microsoft**

a. Health and Safety

- i. Safety program is directed at software and internet safety alone.
- ii. Provide training for millions of people for internet and privacy.
- iii. They detail four internet and safety goals.
- iv. They did not have a process to measure/document safety.
- v. **High**

b. Environmental

- i. Launched a Sustainability Champions program for workers to have more sustainable work habits.
- ii. Invests in new data centers to increase efficiency and reduce computer energy by 27%.
- iii. Report to CDP and have created goals to reduce carbon emissions by 30% by 2012.
- iv. Tracking water consumption, waste, and creating new energy efficiency guidelines. Microsoft has committed to enhancing global tracking systems for waste.
- v. **Very High**

c. Diversity

- i. List out all partnerships, awards, and key strategies to focus on diversity.
- ii. Engaged more with executives than regular managers and employees in diversity and inclusion.
- iii. Increased their diverse talent by systematically integrating Diversity and Inclusion principles.
- iv. Their partnerships represent the extent of their initiatives for diversity.
- v. **Very High**

d. Human Rights

- i. Comply with UN Human Rights Council and the new guiding principles for business and human rights.
- ii. “We engaged and trained our direct material suppliers on the Vendor Code of Conduct to ensure compliance particularly with the human rights standards.”
- iii. All of the final assembler of their hardware suppliers have undergone human rights screening.
- iv. Endorses UN Declaration on Human Rights as a signatory to UN Global Company. Policy includes the International Covenant on Civil and Political Rights and the United Nations Declaration on Human Rights.
- v. **Very High**

e. Discretionary

- i. Uses technology to support nonprofits, education, humanitarian needs, healthcare, energy and environmental sustainability.
- ii. Volunteer and support STEM, and are partners with the Learning program. Organize volunteer activities by offering paid time off for volunteering.

- iii. Donate a substantial amount of cash and software with a goal of getting technology out to millions of isolated people and students (Clinton Global Initiative).
- iv. Partner with organizations to put on Safer Internet Day. They also partner with Computer Emergency Response Teams, law enforcement, 2CENTRE to fight cybercrime.
- v. **Very High**

f. Corporate

- i. Standards of Business Conduct include every aspect of CSR listed above.
- ii. CSR is a core principle and is emphasized on a corporate level. Participate in Business for Social Responsibility, Boston College Center for Corporate Citizenship, Net Impact, and the World Economic Forum's Partnering Against Corruption Initiative.
- iii. They publish a CSR report.
- iv. Report under GRI Index and are only company to disclosure full 400 page report.
- v. **Very High**

Reference: Microsoft, 2011

## 5. PepsiCo

a. Health and Safety

- i. Instituted a Healthy Living program along with competition for getting fit and staying healthy.
- ii. Work across all businesses to prevent occupational injuries and implement a Global Environment, Health, and Safety Management System (GEHSMS), allowed them to reduce Lost-Time Injury Rates by 10%.
- iii. They identify global metrics and track performance for machinery, fleet, and other activities. Aspire to have an

incident-free environment and believe occupational illness and injury are preventable.

- iv. Health and Safety Leadership Council monitors safety and is committed to a safe and healthy work environment.

- v. **Very High**

- b. Environment

- i. Instituted water efficiency and conservation goals as well as specific operations and day-to-day plans to achieve the goals.
- ii. Implements 5 R's - reduce, recycle, use renewable sources, remove environmentally sensitive materials and reuse packaging.
- iii. Submit carbon emissions through Product Carbon Footprint and that suppliers also disclose their carbon emissions. Carbon Disclosure Leadership Index.
- iv. Invest in renewable fuel sources worldwide and solar solutions and received an award by EPA with "Sustained Excellence." Indicate technological improvements that save water such as capturing the natural water in potatoes to make a self-sustaining production plant. New building design complies with LEED. They developed a "near net zero" initiative to be as close to off the grid as possible.

- v. **Very High**

- c. Diversity

- i. Diversity is a guiding principle of PepsiCo.
- ii. They have numerous strategies and plans focusing on locally relevant diversity and inclusion.
- iii. Recognized for diversity and leadership and an endorser of U.N. Women's Empowerment Principles. Received dozens of rankings and awards for diversity.
- iv. Weave diversity and inclusion into their culture and offer a biennial Organizational Health Survey.

- v. **Very High**

d. Human Rights

- i. They are against all forms of discrimination and it is detailed in their code of conduct.
- ii. Provide online training and certified that it is abided by. Training conducted to over 150,000 associates.
- iii. Address forced labor, child labor, and humane working conditions for suppliers.
- iv. Human Rights Workplace Policy covers the areas of respect, equality, and dignity of work.
- v. **Very High**

e. Discretionary

- i. Match funds from employee donations and for disasters like Haiti, Chile, and Pakistan. Pepsi Refresh Project awards more than \$20 million in small grants to help communities.
- ii. Volunteer work supports education, low income areas, and global hunger.
- iii. Invested millions of dollars in initiatives to promote healthier communities. Donating \$8 million to clean water in India.
- iv. Partner with United Way to renovate school for children in Mexico, provide HIV Prevention Education in India. Partners with the World Economic Forum (WEF) for sustainable development. Teaming with Feed the Children to provide for families in need.
- v. **Very High**

f. Corporate

- i. They publish their code of conduct.
- ii. CSR is a part of their mission and vision statement. Their mission includes integrity and enhancing community and is a significant part of their vision: "PepsiCo's responsibility is to continually improve all aspects of the world in which we

operated—environment, social, economic - creating a better tomorrow than today."

iii. They publish a CSR report.

iv. They report their CSR efforts to GRI.

v. **Very High**

Reference: PepsiCo, 2011

## C. LARGEST COMPANIES: DETAILED RESULTS

Table 14. Largest Companies' Results for Each CSR Category and Question

		LARGEST COMPANIES				
		Wal-Mart	Exxon	Bank of America	GM	Hewlett Packard
<b>Health and Safety</b>						
	Organization has a safety program/policies published.	X	X	X	X	X
	Organization trains its employees and/or suppliers in safety.	X	X	X	X	X
	Organization publishes safety goals.	X	X	X	X	X
	Organization has process to measure/document safety performance.	X	X	X		X
	<b>Sum of Rating</b>	4	4	4	3	4
	<b>Adjectival Rating</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>HIGH</b>	<b>VERY HIGH</b>
<b>Environment</b>						
	Organization has specific environmental goals in place.	X	X	X	X	X
	Organization addresses recycling and minimizing waste and environmental impact.	X	X	X	X	X

		LARGEST COMPANIES				
		Wal-Mart	Exxon	Bank of America	GM	Hewlett Packard
	Organization reports environmental efforts.	X	X	X	X	X
	Organization has discretionary environmental initiatives in place.	X	X	X	X	X
	Sum of Rating	4	4	4	4	4
	Adjectival Rating	VERY HIGH	VERY HIGH	VERY HIGH	VERY HIGH	VERY HIGH
Diversity						
	Organization has a formal program and/or processes in place to promote diversity.	X	X	X	X	X
	Organization trains employees and/or suppliers on diversity.	X	X	X	X	X
	Organization ensures equal access to employment opportunities.	X	X	X	X	X
	Organization has discretionary diversity initiatives.	X	X	X	X	X
	Sum of Rating	4	4	4	4	4
	Adjectival Rating	VERY HIGH	VERY HIGH	VERY HIGH	VERY HIGH	VERY HIGH
Human Rights						
	Organization has a formal program and/or processes in place to promote human rights.	X	X	X		X
	Organization trains employees on human rights.		X	X		X
	Organization mentions human rights enforcement to suppliers.	X	X			X
	Organization has discretionary initiatives to promote human rights.	X	X			X
	Sum of Rating	3	4	2	0	4
	Adjectival Rating	HIGH	VERY HIGH	MODERATE	NO	VERY HIGH



		LARGEST COMPANIES				
		Wal-Mart	Exxon	Bank of America	GM	Hewlett Packard
<b>Discretionary</b>						
	Organization has specific activities that demonstrate commitment to the community.	X	X	X	X	X
	Organization allows/encourages employees to volunteer.	X	X	X	X	X
	Organization's efforts include charitable donations	X	X	X	X	X
	Organization partners with other organizations for community projects.	X	X	X	X	X
	<b>Sum of Rating</b>	4	4	4	4	4
	<b>Adjectival Rating</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>
<b>Corporate</b>						
	Organization publishes a Code of Conduct or Standards of Business.	X	X	X	X	X
	Organization's core principles/values reflect CSR principles.	X	X	X	X	X
	Organization publishes CSR/Sustainability Report.	X	X	X		X
	Organization reports CSR efforts to higher authority or governance (e.g. GRI)		X	X		X
	<b>Sum of Rating</b>		4	4	2	4
	<b>Adjectival Rating</b>	<b>HIGH</b>	<b>VERY HIGH</b>	<b>VERY HIGH</b>	<b>MODERATE</b>	<b>VERY HIGH</b>

## 1. Walmart

### a. Health and Safety

- i. Safety is a part of the culture as they were accepted into OSHA's VPP program. Emphasize transportation safety, finished 1st 11 times in 14 years in the Trucking Association's Fleet Safety Contest.
- ii. "Providing our associates with the training and tools necessary to execute their compliance responsibilities is a vital part of ensuring the successful implementation of their management system."
- iii. Each store sets their own safety marks. OSHA incident rates have been below the industry average for the past seven years.
- iv. Developed a "My Sustainability Plan" to track individual health, safety, water usage, waste, and develop new skills with time and money. They also have a safety management system to track incident rates.

### v. **Very High**

### b. Environment

- i. Goal to be supplied 100% by renewable energy (investing in wind and solar panels), create zero waste, and sell products that sustain people and the environment.
- ii. Electronic recycling program, plastic bag initiative, polyvinyl chloride (PVC) elimination, and reducing the landfill amount.
- iii. They report their environmental efforts to policymakers and make numerous public statements.
- iv. Established Sustainable Value Networks in GHG, sustainable facilities (pilot, test, and deploy), logistics, waste, packaging, wood and paper, agriculture and seafood, textiles, jewelry, electronics. Investing in efficient buildings and equipment, packaging, and transportation (so far increased fleet efficiency by 65%). Track all of these initiatives with the Environmental Management System (EMS). Survey suppliers annually to assess their environmental practices.

### v. **Very High**

c. Diversity

- i. Embedded in the culture and values. Employ a diversity officer and publish a Workforce Diversity report.
- ii. They equip associates with tools and training through mentoring circles and sponsorship for an inclusive workplace.
- iii. Data shows that their hiring policies have worked in the past 5 years to become a more diverse workforce. Recruit at diversity-focused professional events, conference, summits and local activities.
- iv. They have a Global Council of Women Leaders, Supplier Diversity Program, Advisory Board on Gender Equality and Diversity.
- v. **Very High**

d. Human Rights

- i. Associate survey keeps everyone involved and allows for 360\* feedback.
- ii. Training is not emphasized.
- iii. Started an initiative for Responsible Mining Assurance, and are looking for a more sustainable supply chain for fibers for their Faded Glory clothing line.
- iv. Trying to track gold in jewelry, textiles, and agriculture to ensure labor is not violating standards of ethics. Acknowledge that only 15.2% of gold is traced, and that it is more challenging for diamonds and silver.
- v. **High**

e. Discretionary

- i. Committed to giving and volunteering with the start of the WalMart Foundation, Global Empowerment Initiative, Neighbor of Choice
- ii. Employees have logged more than 1.3 million volunteer hours.

- iii. Volunteerism Always Pays program contributed \$10.8 million in grant contributions.
- iv. Partnership with Hunger Relief, Lifelong Learning Program, Feeding America, United Way, and the Children's Miracle Network. Represent the "store of the community," working with 100,000 charitable and community focused organizations. Many other global initiatives and partnerships that outline initiatives in India, Chile, Argentina, China, Brazil, Canada, Japan, and the U.S.
- v. **Very High**

f. Corporate

- i. They have a code of conduct
- ii. CSR is a part of their mission: strengthen communities and drive change. Emphasize sustainability through: supplier sustainability, lifecycle analysis, and using a tool for customers to know the sustainability efforts.
- iii. Very extensive CSR report.
- iv. They do not report their CSR efforts.
- v. **High**

Reference: WalMart, 2011

## 2. Exxon Mobil

a. Health and Safety

- i. Core principle with the following safety elements: safe facilities design and construction, accurate information, operations and maintenance, third-party adopting same safety principles, incident investigation and analysis, community awareness and emergency preparedness, and integrity. Significantly improved employee and contractor lost-time incident rates.

- ii. Continuously require assessments, and introduce concept of "actively caring" for coworkers. Both contractors and employees are required to follow the policies.
- iii. Unique aspect of CSR report that states the goals they set in the previous year, how they met them, and what they plan to do in future years.
- iv. Use Operations Integrity Management Systems (OIMS), assessing the risk involved in their operations. OIMS documents safety, health, and product safety policies and security expectations.
- v. **Very High**

b. Environment

- i. Spill prevention is the most critical of all human health and environment prevention for them and this is emphasized throughout the website and report. Goal to eliminate spills.
- ii. Socioeconomic and Health Impact Assessments (ESHIA) are used to review community concerns, land use, air quality, water management, waste management, biodiversity, noise, public health.
- iii. Report to CDP and provide an in-depth analysis of GHG emissions and global warming and the risks of climate change.
- iv. Address biodiversity by implementing sound practical and sustainable solution for scientifically looking at ecosystems and screen against the International Union for Conservation of Nature (IUCN) and World Protected Areas (WPA). Use ExxonMobil Capital Projects Management System (EMCAPS) to build efficient infrastructure.
- v. **Very High**

c. Diversity

- i. Supports many diversity programs like the Hispanic Heritage foundation, United Negro college fund, and the American Indian College fund.
- ii. They focus on educating and training suppliers.
- iii. Their diversity initiatives allow women and minorities in the U.S. to learn science, technology, and engineering.
- iv. Launched the Women's Economic Opportunity Initiative to enable them to be more successful in their local economies and stronger leaders.
- v. **Very High**

d. Human Rights

- i. Respect culture and territories and have a consultant in John Ruggie, the United Nations Special Representative on Business and Human Rights. Have policies, conduct impact assessments, and establish mechanisms to track performance. Human rights are addressed in the Standards of Business conduct.
- ii. Provide dedicated human rights training to key affiliates and staff and international organizations.
- iii. Adopted a protect, respect, and remedy framework that outlines the duty of governments to protect against human rights abuses by third parties.
- iv. Plan on purchasing \$1billion annually from MWBEs. Established Voluntary Principles on Security and Human Rights.
- v. **Very High**

e. Discretionary

- i. They are dedicated to fast-tracking U.S. fluency in science and math.
- ii. Their employees are committed to volunteering. Implemented the ExxonMobil Women's Economic Opportunity Initiative,

ExxonMobil Math and Science Initiative, and the Malaria Initiative.

- iii. The ExxonMobil Foundation donates millions of dollars for education.
- iv. Malaria prevention is a major initiative for their company and they work with American Idol to support malaria prevention in poverty stricken Africa.
- v. **Very High**

f. Corporate

- i. Standards of Business include the commitment to employees and environment, ethics, environment, gifts, antitrust, health, safety, harassment, equal opportunity, and an open door policy.
- ii. CSR is a core principle of ExxonMobil.
- iii. They publish a very extensive CSR report.
- iv. Report under IPIECA and cross referenced the GRI.
- v. **Very High**

Reference: Exxon Mobile, 2011

### 3. Bank of America

a. Health and Safety

- i. A part of industry-leading OSHA program which aims to reduce injury rates and provides a safe and secure workplace and emergency evacuation. They offer wellness and prevention initiatives to educate and motivate employees.
- ii. Targeted Loss Mitigation Training to 5,000 managers.
- iii. OSHA aims to reduce injury rates along with other goals.
- iv. They have a Safety and Injury Prevention Department that documents safety.
- v. **Very High**

b. Environment

- i. Provide tables of data for all of their environmental endeavors. Established Environmental Council to oversee strategy, priorities and goals.
- ii. Invest \$4 billion in renewable energy, energy-efficient projects, and low-carbon projects to reduce GHG
- iii. Partner and report with Ceres, United Environmental Program (UNEP), the Nature Conservancy International Leadership Council, Pew Center on Global Climate Change Business Environmental Leadership Council, and Conservation International's Business and Sustainability Council.
- iv. Adopt LEED principles and construct efficient buildings. Partner with Ocean Conservancy to support International Coastal Cleanup (ICC). Survey suppliers annually to assess their environmental practices.
- v. **Very High**

c. Diversity

- i. Commitment to employee diversity and inclusion initiatives.
- ii. Training is intended for every uniformed security officer.
- iii. They have a Global Diversity and Inclusion Council, Global Diversity and Inclusion Office, and Associate Affinity Groups. Human rights are a part of their "Act Responsibly" value as they encourage EEO and AAP.
- iv. Partner with Rainbow, the Human Rights Campaign, and Olivia and Atlantis.
- v. **Very High**



d. Human Rights

- i. They earned 100% on Human Rights Campaign Corporate Equality Index. Human rights is part of their core value to “Act Responsibly.”
- ii. Every uniformed officer undergoes 40 hours of training. They provided over 30,000 total diversity and inclusion training hours for employees on policies and procedures concerning aspects of human rights.
- iii. No enforcement of supplier human rights
- iv. No mention of discretionary initiatives.
- v. **Moderate**

e. Discretionary

- i. Neighborhood Excellence Initiative supports leaders making a difference in communities. Committed to a 10 year, \$2 billion community project. Very unique set-up on website to see all of the discretionary initiatives that are going on in every city (Academy of Sciences in SF, service learning in Dallas, supporting women in LA, clean technology San Diego, clean renewable energy in Seattle, and immigrant community work and life skills in D.C.).
- ii. They have long-term donation goals and emphasize volunteering.
- iii. Provide substantial finances to Feeding America, YouthBuild and Habitat for Humanity.
- iv. Involvement in Neighborhood Builders helps 600 local non-profit organizations grow and enables them to improve the quality of life.
- v. **Very High**

f. Corporate

- i. They have a code of conduct book.
- ii. Mention diversity, inclusion, and acting responsibly as core values.
- iii. Publish CSR.
- iv. They report to GRI and hired highly ranked SRI and sustainability analysts to focus on leading the integration of material environmental, social and governance.
- v. **Very High**

Reference: Bank of America, 2011

**4. General Motors**

a. Health and Safety

- i. Their "overriding" priority is to protect the health and safety of each employee.
- ii. They train on safe workplace practices with “no exceptions and no shortcuts.”
- iii. All employees have a stake in a healthy, injury-free work environment.
- iv. Do not have system to measure/document.
- v. **High**

b. Environment

- i. GM focuses on reducing CO2 emissions (16 carbon-reducing projects). Goal of zero landfill usage.
- ii. Committed to restoring and preserving the environment, reducing waste and pollutants, conserving resources, and recycling materials. Successfully reduced energy usage at global facilities by 31% in past 5 years (lighting upgrades, track energy consumption, solar energy investment).

- iii. Earned a gold certification from the U.S. Green Building Council's LEED program.
  - iv. Investing millions in clean energy projects across America. Vigorously pursuing the development and implementation of efficient technologies.
  - v. **Very High**
- c. Diversity
  - i. Diversity and inclusion are engrained in their culture by appreciating and respecting each other.
  - ii. Invest in training and education for diversity and give everyone a voice.
  - iii. Established a Supplier Diversity Program and MDD for suppliers.
  - iv. GM Women's Retail Network (WRN), and the National Candidate Program to prepare minorities and women to become operators/owners.
  - v. **Very High**
- d. Human Rights
  - i. Did not have formal program or processes.
  - ii. Did not mention training.
  - iii. Did not mention suppliers' human rights.
  - iv. Did not show any discretionary initiatives.
  - v. **No**
- e. Discretionary
  - i. Separate website with information about their involvement with elementary, middle, and high school students.
  - ii. Volunteer and inspire students to pursue STEM.

- iii. Donate vehicles, services, supplies and monetary contributions to charitable organizations.
- iv. The General Motors Foundation supports the American Red Cross and GM Global Aid, providing funds for disaster relief (significant amount).
- v. **Very High**

f. Corporate

- i. They publish a Code of Conduct.
- ii. Publish their values and guidelines for employee conduct emphasizing all business integrity, community, and environment.
- iii. No CSR Report
- iv. Do not report CSR initiatives
- v. **Moderate**

Reference: General Motors, 2011

## 5. Hewlett Packard

a. Health and Safety

- i. Their health and safety policy creates healthy and safe practices so employees work injury-free.
- ii. They adopt OSHA policies and training.
- iii. Their ultimate goal is to have an injury-free workplace and proactively reduce occupational injury and illness risks.
- iv. Employ a comprehensive EHS management system. They also have an accelerated electronic and mobile health solution system.
- v. **Very High**

b. Environment

- i. Climate Group and World Wildlife Fund reduces GHG, improves energy use, protects forests, and influences policymakers.
- ii. Their carbon footprint calculator allows employees to track their effect on the environment. Work closely with other Information Technology (IT) companies to advance energy efficiency like Green Grid Association, Climate Savers Computing Initiative, Electronic Product Environmental Assessment Tool (EPEAT), and Digital Print Dinking Alliance. Address Product Life Cycle. Significantly investing in efficient infrastructure and technology in every aspect of the environment and creating technology for other companies to operate more efficiently. Sole sponsor of the Pew Center's research for low-carbon solutions.
- iii. Commission independent auditor Bureau Veritas Certifications for environment transparency. They have 12 experts outside HP who document trends and reinforce sustainability. Their Executive Environmental Advisory Council (EEAC) receives insights and feedback on environmental sustainability. Report to CDP and earned a B rating.
- iv. Created a Central Nervous System for the earth to collect information about world's infrastructure in real time. Developed HP Data Center Smart Grid that provides energy-aware data, and is equipped with sensors to detect when servers are wasting power.
- v. **Very High**

c. Diversity

- i. They have their own HP diversity and inclusion website. Value diversity as their key driver of creativity.
- ii. Post all policies to include nondiscrimination, harassment-free work, domestic partner, and open door policy.

- iii. Goal to have behaviors and actions support diversity and inclusion from every HP employee. Many awards for their diversity recognition.
- iv. Partner with Catalyst to build inclusive workplace for women, National Society of Black Engineers, Society of Hispanic Professional Engineers, Society of Women Engineers and many others.
- v. **Very High**

d. Human Rights

- i. One of eight leading multinationals invited to found and steer GBIHR and are demonstrating leadership in respecting human rights.
- ii. They post their human rights and labor policies. Global Citizenship Council conducts comprehensive policy assessment from a range of stakeholders. Their diversity policies makes sure everyone is in compliance.
- iii. Focus on labor and employment especially with suppliers.
- iv. Supported work of UN Special Representative John Ruggie by raising awareness of human rights. Founding role of Business Leaders Initiative on Human Rights (BLIHR) aimed to reduce the number of human rights abuses by corporations.

v. **Very High**

e. Discretionary

- i. Change the Equation with 100 CEOs with goal to create widespread literacy in science, technology, engineering, and math.
- ii. HP Catalyst Initiative for next generation of scientists and engineers.
- iii. Donate a significant amount of money and community service hours.
- iv. Working with mothers2mothers to provide counseling and antiretroviral support to pregnant women living with HIV in

sub-Saharan Africa. Associated with dozens of associations with CSR (very impressive list).

v. **Very High**

f. Corporate

- i. They publish Standard of Business Conduct.
- ii. Standard of Business Conduct is based on shared values, corporate objectives, CSR principles, and includes an ethical decision tree for how employees should think about ethics.
- iii. They publish the most extensive Global Citizenship Report of any company assessed.
- iv. Leader of Dow Jones Sustainability Index and FTSE4Good for 8th consecutive year. They report under the GRI framework, and include the results in CSR report.

v. **Very High**

Reference: Hewlett Packard, 2011

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